Ports Canada

Report to the Minister 1986

87-03741/

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## Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are directly administered by the Canada Ports Corporation and are located in Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic and more than 95 percent of container traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

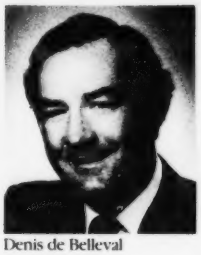
The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public service, the ports are administered according to common commercial priniciples.

The Canada Ports Corporation's National Office is located in Ottawa.

Ce rapport annuel est disponible en français.

## Messages from the Chairman of the Board and the President and Chief Executive Officer

A.R. Huntington


Denis de Belleval

### Chairman's Message

As we enter our fourth year since enactment of the *Canada Ports Corporation Act*, I take this opportunity to review the objectives within the legislation, to comment on our progress towards those objectives and to offer a few words on the fundamental work yet ahead as we move forward to serve those objectives.

Our legislation requires that we:

- support trade and social objectives at the national, regional and local levels;
- create an efficient system;
- provide accessible and equitable treatment to users of the ports within our system;
- provide a high degree of local operating autonomy for ports with financial self sufficiency;
- play a role on behalf of the Minister of Transport to ensure the integrity and efficiency of the national port system and ensure also the optimum deployment of resources.

Although the system appears to be serving regional and local social objectives well, there is potential for conflict with the national interest, when local pressures mount to encroach foreshore lands adjacent to deepwater. Non-maritime provinces have real and legitimate concerns when their access to deepwater is not protected for present and unidentified future needs.

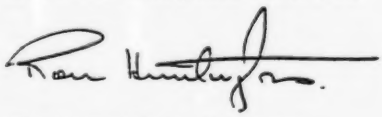
A high degree of local operating autonomy has now been extended to the seven ports with local port corporation status. To date the Boards and staff of local port corporations have shown a high degree of commitment. Concurrent with the evolution of local operating autonomy, there is a pressure within the system to reduce the cost of the National Office. The Board is seized of this concern and is attempting to respond.

The Board is concerned with the definition of its role, on behalf of the Minister of Transport to ensure the integrity and efficiency of the system and the optimum deployment of resources.

To date, Ports Canada has been passive in contributing to national trade objectives. There is a need to co-ordinate national trade related resources and services within governments to better serve this aspect of our mandate. Ports Canada will have to develop or alternatively have access to a data bank that can provide details of costing and pricing within the water and landside modes of transportation if it is to play a meaningful role in improving the movement of Canadian products to export markets.

The Board agrees with the shareholder's call for a 30 percent dividend. This policy marks a significant maturing of our status as a Crown Corporation which is able to make a return on the capital invested in the system by the shareholder.

On behalf of the Board of Directors of the Canada Ports Corporation, I would like to acknowledge the efforts of staff across local port corporations, non-corporate ports and the National Office, on whose expertise and efforts the system depends. In addition, the Board of Directors recognizes the leadership of our present and former Ministers of Transport, Messrs. Crosbie and Mazankowski, whose efforts to strengthen the transportation infrastructure across Canada will render benefit to Canadians for generations to come.



The Honourable A.R. Huntington
Chairman of the Board

### President's Message

The Canada Ports Corporation was established to, among other things, foster greater local autonomy among the ports, and to administer non-corporate ports in the most efficient and cost-effective manner possible. In 1986, the Corporation made major strides in achieving these objectives.

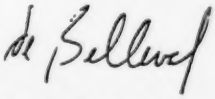
The Port of Saint John was granted the long-awaited local port corporation status following a rescheduling of its debt. In enhancing the objectives of the *Canada Ports Corporation Act*, this brings the total number of LPCs to seven, and provides the port with the needed autonomy in managing its own day-to-day affairs. Local port corporations now account for more than 90 percent of total operating revenues of Ports Canada.

Consistent with on-going efforts to improve efficiency and productivity, in August, the Right Honourable Brian Mulroney opened the new Pointe-Noire facility in Sept-Îles; and later, the Minister of State for Transport inaugurated the Grande-Anse terminal, built as part of the relocation of the Port of Chicoutimi. The two facilities will provide their respective regions with infrastructures that are expected to play a major role in their industrial development.

Elsewhere, thanks to concrete measures taken at the Port of Churchill, the port's operating costs were kept to the minimum while efforts to increase tonnage throughput continued. In response to the government's stated desire to promote private sector participation, the grain elevator at Port Colborne was leased out. This is expected to bring about stability in earnings and minimize future exposure of the Corporation.

The year was not without its challenges. Strained labour-management relations closed the Port of Vancouver twice, albeit briefly, finally requiring legislation to set up a commission of inquiry into the container-handling practices at the port. On the St. Lawrence, the employers at the Port of Québec forced a lock-out that lasted over five months. Notwithstanding a prolonged period of labour stability on the St. Lawrence, these difficulties could pose new challenges for Montréal and Trois-Rivières as well. Labour relations, therefore, gain added importance in the port system.

Progress is the result of efforts of all involved in the Corporation. I would like to take this opportunity to express my gratitude to the Board of Directors for their valuable guidance, and to the employees of the Corporation, without whose dedication and loyalty our achievements would not have been possible.



Denis de Belleval
President and Chief Executive Officer

**Ports Canada Five Year Financial Review**

(in millions except for average number of employees and ratios)

| | 1986 | 1985 | 1984 | 1983 | 1982 |
|---|---|---|---|---|---|
| Financial Results | | | | | |
| Revenue from operations | $159.9 | $153.7 | $157.1 | $151.1 | $142.7 |
| Operating expenses | 138.1 | 130.3 | 129.6 | 126.9 | 113.9 |
| Operating income | 21.8 | 23.4 | 27.5 | 24.2 | 28.8 |
| Investment income-net | 18.9 | 26.8 | 24.2 | 22.6 | 28.7 |
| Net income before RTI* | 42.1 | 51.9 | 57.8 | 35.0 | 57.5 |
| Cash provided by operating activities | 58.1 | 76.4 | 74.6 | 73.7 | 72.6 |
| Financial position at year end | | | | | |
| Working capital | $114.5 | $212.0 | $189.8 | $160.1 | $145.8 |
| Fixed assets — at cost | 990.1 | 962.3 | 914.0 | 892.9 | 850.6 |
| Total assets | 863.2 | 973.9 | 926.1 | 865.8 | 814.3 |
| Equity of Canada | 227.8 | 322.3 | 275.3 | 218.8 | 183.9 |
| Capital expenditures | $50.2 | $64.1 | $96.6 | $74.6 | $125.6 |
| Federal capital financing | | | | | |
| Grants | $13.5 | $14.3 | $35.4 | $10.5 | $24.0 |
| Loans | 4.1 | 5.2 | 4.9 | 7.1 | 7.9 |
| Recoverable contribution | — | — | 0.4 | 8.4 | 40.6 |
| Employees | | | | | |
| Average number of employees | 1,452 | 1,517 | 1,637 | 1,695 | 1,760 |
| Ratios | | | | | |
| Operating revenue/tonne | $0.99 | $0.99 | $0.95 | $1.05 | $1.04 |
| Tonnes/employee | 110,840 | 102,307 | 100,672 | 84,897 | 77,841 |
| Cash from operating activities/total assets | 6.7% | 7.8% | 8.1% | 8.5% | 8.9% |

* Ridley Terminals Inc.

New terminal service contracts between the Vancouver Port Corporation and its stevedoring contractors have resulted in contractors' revenues and expenses no longer being recorded at Vancouver. For comparative purposes, these revenues and expenses have been excluded from those of 1986 and previous years.

Revenues from operations for Ports Canada amounted to $160 million for 1986, representing an increase of $6 million over 1985. This increase was mainly the result of increased container traffic at Montréal and Vancouver as well as a higher volume of grain handled at Churchill when compared with 1985.

The 1986 operating income for Ports Canada was $22 million, a decline of $1.6 million from the previous year. This decline in operating income was primarily the result of higher depreciation recorded at Vancouver, Montréal and Halifax as a number of large capital projects became operational in 1986. Funds from operations, being operating income before depreciation, were $46 million in 1986, as compared to $45 million for 1985.

Net income in 1986 was $42 million, down from $52 million in 1985. The lower level of net income is primarily attributable to a reduction in investment income of $8 million, from $27 million in 1985 to $19 million in 1986. This reduction was a result of a smaller investment base following a $133 million cash payment made by Ports Canada to the federal government in 1986.

The 1986 year-end working capital of Ports Canada was $115 million compared with $212 million in 1985. Funds expended for capital projects in 1986 totalled $50 million, $33 million of which was provided by internally generated funds. Major capital projects in 1986 included the upgrading and expansion of port facilities at Halifax, Montréal, Québec and Vancouver, berth dredging and the construction of a new tug at Churchill, as well as the new port facilities at Sept-Îles.

**Ports Canada Review of Traffic**

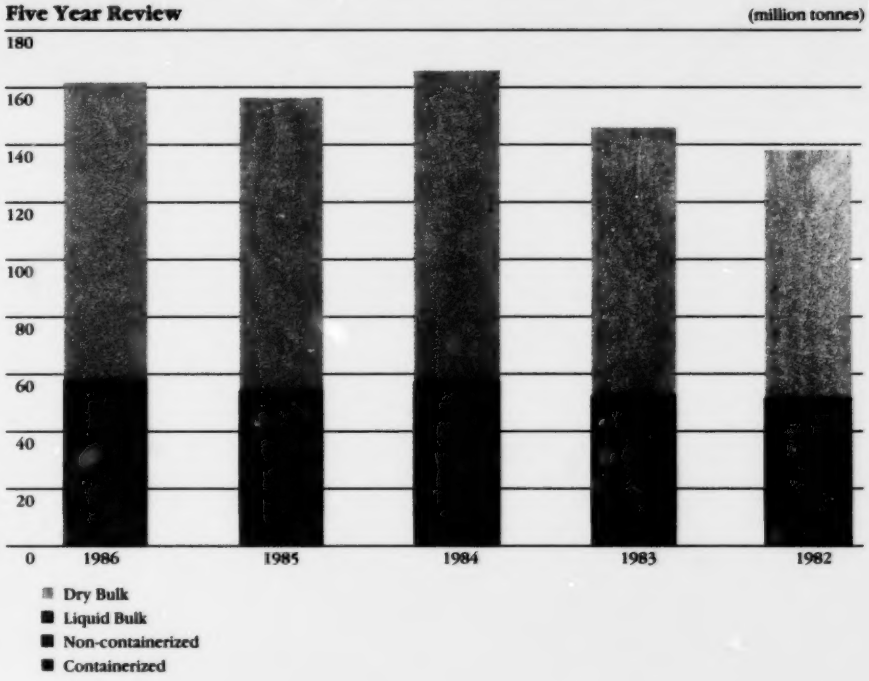
Total 1986 cargo volume through Ports Canada ports, including both private facilities located within the harbour limits and Ports Canada berths, was up almost 4 percent over 1985 to 161 million tonnes. The major portion of this growth was accounted for by an increase in liquid bulk (petroleum) traffic, primarily through private facilities at the ports of Saint John and Québec. Other areas of growth in tonnage across the port system included grain shipments and containerized cargo volume.

Total tonnage handled through Ports Canada berths in 1986 was 70 million tonnes, down slightly from almost 72 million tonnes recorded in 1985. The seven local port corporations (including Saint John) handled 64 million tonnes through their facilities, down 4 percent from the 67 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities at its seven ports was up from less than 5 million tonnes in 1985 to almost 6 million tonnes in 1986.

Total grain shipments handled across the Ports Canada system, including private facilities, were up only 2 percent in 1986 to slightly over 23 million tonnes in spite of a much improved grain harvest. This small rate of growth, after a disappointing year in 1985, is the result of the after-effects of two below-average harvests in 1984 and 1985, intense international competition between grain exporting nations and work stoppages due to labour disputes at Thunder Bay and at the Port of Québec. Labour disruptions affecting east coast ports and shifts in grain distribution patterns resulted in west coast ports experiencing a 19 percent increase in volume over the previous year as well as increasing their share of total Ports Canada grain tonnage from 45 percent in 1985 to 53 percent in 1986.

After a decade of growth, coal shipments, at 27 million tonnes, were down 3 percent for 1986 versus the previous year. This decline reflects the problems of excess coal production capacity worldwide, a labour dispute involving a major B.C. coal producer and the declining coal requirements of the Japanese steel industry, Canada's major customer.

**Five Year Review**



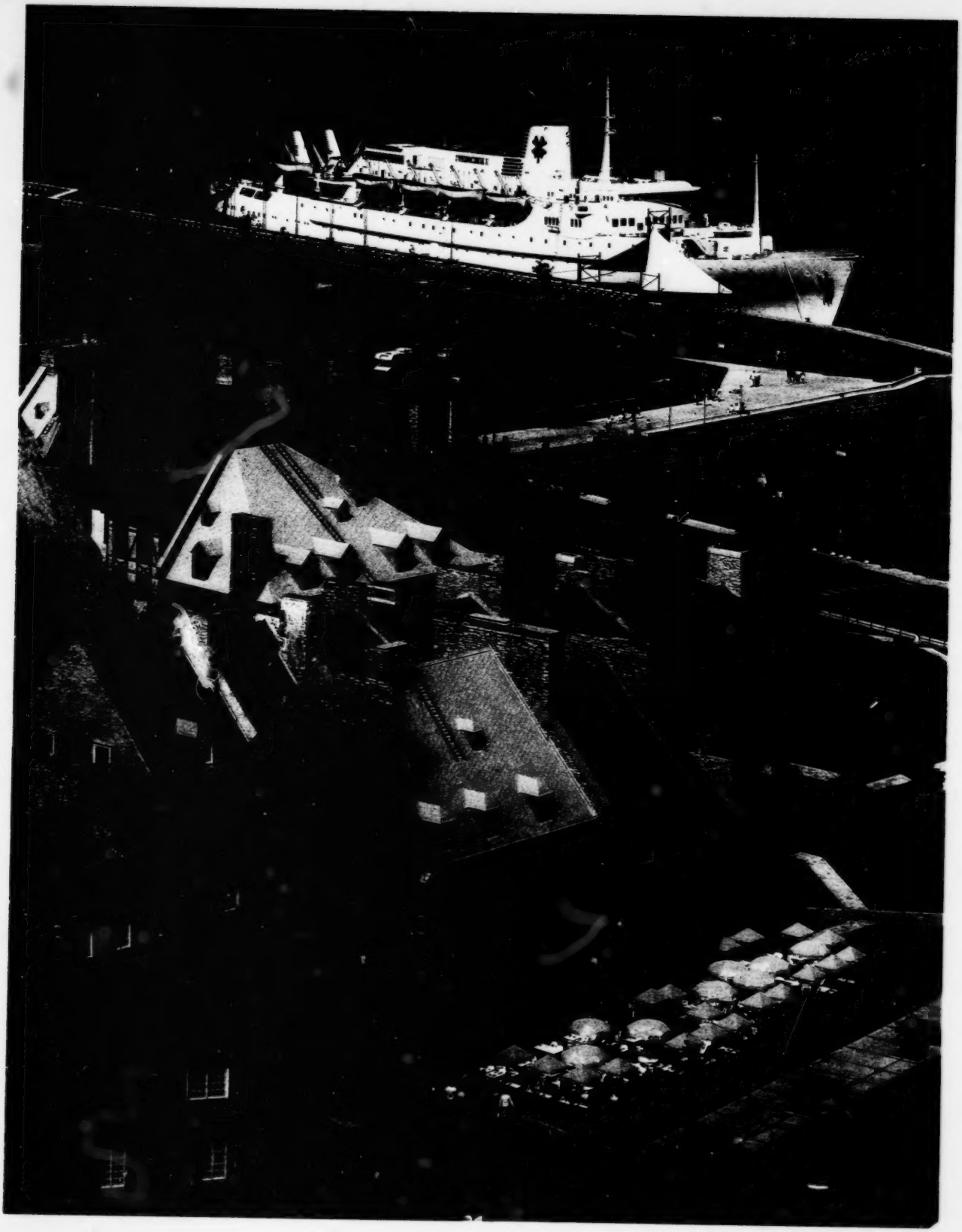

Containerized cargo volume was up 10 percent in 1986 to 10 million tonnes or 918,000 TEUs (20-foot equivalent units). This growth came despite increasing concern over Canadian cargo being diverted through U.S. ports. Of Canada's four major container ports, Montréal, Vancouver and Halifax experienced strong growth rates in 1986. However, container tonnage at Saint John was down due to several shipping lines dropping Saint John as a port of call.

**Conflict of Interest and Post-Employment Policy**

On September 9, 1986, the Corporation adopted the *Conflict of Interest and Post-Employment Policy* applicable to all employees and officers other than Governor-in-Council appointees.

This policy is consistent with the spirit of the *Conflict of Interest and Post-Employment Code for Public Office Holders*, tabled by the Prime Minister in the House of Commons on September 9, 1985, and in effect since January 1, 1986.

The Corporation has designated a Conflict of Interest Coordinator and all employees and officers are to comply with the policy and take appropriate action to prevent potential or apparent conflicts of interest.



# Urban Waterfront: Conflict and Reconciliation

The development of Canadian ports and the urban centres surrounding them have always been closely linked. While the natural harbour provided the geographic location for the initial community settlement, transportation and trade contributed, over time, to urban and industrial growth.

The port and the city began as one and the same. Urban waterfronts were the focal point of commerce, concentrating on their commercial maritime function — the transfer of cargo between the marine and surface modes of transportation. The waterfront was unique in its orientation, with the port exerting the dominant influence on land-use activities not only along the water's edge, but also in the city's central business district.

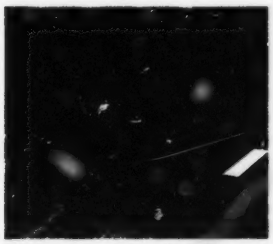
In St. John's, vessels berth virtually adjacent to downtown offices, maintaining the Newfoundland heritage of the sea, but terminal expansion is restricted.

Throughout the years, advances in marine transportation and cargo handling methods, coupled with fundamental changes in the twentieth century urban lifestyle, both social and industrial, substantially altered the relationship between the port and the city. The changing dynamics of both ports and cities have resulted in a reappraisal of the port and its role in the urban community. In the 1980s, the port no longer has a monopoly on the urban waterfront. In most cases, this reassessment of the urban waterfront function is directly related to land, its use, its accessibility and its perception as a tool for economic and social redevelopment. Often, the viable and essential marine transportation function and its impact on the national economy are overlooked, creating tension and even conflict between the port and the urban community.

Conflict arises, amongst other things, from the development and sophistication of marine terminals and the vessels using them. Gone are the wooden finger piers jutting out at right angles from the shoreline. In their place have emerged highly specialized terminals designed to automatically handle containers and bulk cargoes. These container terminals have been isolated along the urban shoreline in major port cities, resulting in a separate identity for the port distinct from that of the city.

Special user groups, such as windsurfers in the Port of Vancouver, place added importance on the unique geographic features of the waterfront.

Another closely-related phenomenon is the development of efficient transportation links in the functional port area and its hinterland. Intermodalism is now the key. In Montréal, for example, containers are placed directly on railcars bound for the heartland of America. Unit trains unload grain, coal, sulphur or potash in most major ports. Arterial roads and overpasses have been constructed to handle the ever-increasing truck traffic serving the marine terminals, and have been a major expense and planning concern of ports in Vancouver, Saint John and St. John's. The effect on the waterfront has been twofold: firstly, the vital commercial role of the port is reinforced in the community. Secondly, structural barriers, both in the physical and psychological sense, are erected between the port and the city. In addition, some obsolete port facilities have adversely affected the port's image and the perception of the waterfront. The relationship between the port and the city, once one of mutual interaction, has become less intimate reflecting, at times, the inevitable conflict.



The marine activity at Long Wharf in the Port of Saint John is separated, both physically and psychologically, from the city by highspeed roadways and railway lines.

Changes in the structure and function of the city itself have equally altered that perception. The city core was once the location of manufacturing industries which had a functional relationship with the port. Their raw materials were received through the port and their finished products reached market through the port. For a number of years, though, manufacturing industries have played a diminishing role in the business life of the central city. Industrial firms have migrated away from urban centres, leaving the city core to emerging highrise office towers of business and finance. While there are still many examples of industries located on the waterfront including pulpmills, refineries and fishplants, the urban core of larger port cities is increasingly geared towards the provision of specific services rather than the production of goods.

In comparison with the rest of the city, the port area is often the oldest sector, having been the original site for industrial, commercial and residential uses. As cities changed, through cycles of progress and decline, the urban waterfront was a natural focal point for redevelopment. A new waterfront constituency developed, viewing the waterfront as an attractive public resource. Land and water were defined in terms of access, historical and cultural qualities, residential and recreational potential, and visual aesthetics. In many cities, restoration, renovation, and recreation became familiar themes as the historical, residential and cultural features of the waterfront were physically upgraded and promoted for the benefit of urban residents and tourists alike.

One impact of this changed orientation was that the historical water-related and water-dependent uses of the port were given less consideration as a viable land use, although their continuing economic impact on the city and its inhabitants has seldom been questioned. These changes and their implications ultimately confront port management throughout Canada, albeit at different times and with varying degrees of intensity.

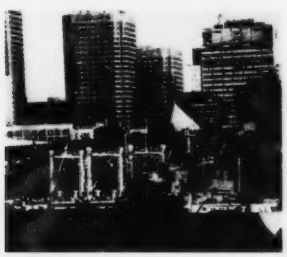
In recognition of change and the importance of the waterfront property for alternative uses, ports have adopted a conciliatory stance, and have conceded significant portions of their land and structures to urban and community development. Ports, particularly those in mature urban centres, have now reconciled themselves with this position and have responded by ensuring that special characteristics of certain waterfront sites have been developed in response to community needs. The Vieux Port projects in the ports of Montréal, Québec and Trois-Rivières are prime examples of this new approach. They have provided the urban population with access to the ports and to the St. Lawrence River.

The traditional pattern of industrial land and water uses, such as grain handling in the Port of Québec, may be challenged by recreational and residential developments.

The authentic display of the cultural heritage of Place Royale in Québec is linked physically with the port and the river. It is also a key attribute of the tourist industry, so vital to the city's economic well-being. Successful urban renewal prospects in Halifax and Saint John were achieved by establishing a clear relationship between the communities' interests and the ports' traditional functions.

In Saint John, New Brunswick, the Market Square development, a retail, office, hotel and residential complex, has rejuvenated the downtown city core. Situated in the north-end of the harbour, it is possible to watch container vessels load from the comfort of a condominium living room or a hotel lounge.

The Historic Properties development in the Port of Halifax provides year-round access to the ocean, and has created a meeting place on the harbour for office workers and tourists alike with restaurants, boutiques and pubs bringing to life the renovated historical buildings.



Office towers of the Montréal central business district overlook daily cargo movements in the port.

There have always been pressures for alternate, non-port-related waterfront developments in the Port of Vancouver. Perhaps the climate, the panoramic setting, and the location of Stanley Park, on the waterfront, have engendered the community with a very personal view and interpretation of the port. Consequently, the waterfront now represents a blending of activities which have perpetuated the human relationship with the ocean; from the public viewing area of the Vanterm container terminal, to the Seabus Terminal, the Canada Place complex of Expo 86 and the port's new cruise ship facility. All the while, the fundamental role of the port in Canada's transportation network has been maintained.

The role of the waterfront in the Port of Vancouver is reflected by the combination and compatibility of different land uses; marine terminals, parkland, highrise development.

In Chicoutimi, the relocation of the marine terminal to Grande-Anse, outside the existing urban core, will eliminate the industrial presence of the port in the city and will permit alternate uses of the old terminal area. In Sept-Îles, the construction of the Pointe-Noire terminal, at a significant distance from the city, will encourage heavy industrial development which would not have been compatible with urban life.

Perceptions are changing. There must be a balanced approach towards waterfront development proposals. The role and responsibilities of the port must be understood by all elements of the urban community, not only locally, but also in the regional and national contexts. Canadian port administrators also recognize the intrinsic values and the appreciation which a community places on such a complex resource. Conflicts regarding waterfront jurisdiction, appropriate use, public access and private and public sector participation in project development must be resolved through good planning, sensitivity and an openness for cooperation on all sides.

Ports Canada will continue to play its vital role in reconciling the diverging pressures on waterfront lands for cultural values, on the one hand, and economic development, on the other.

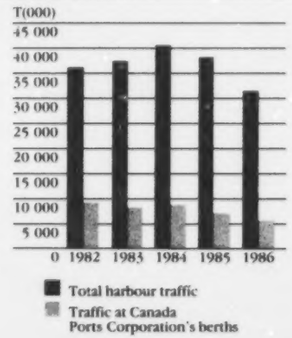
The promise of new waterfront opportunities, generated by renovation, restoration and creative adaptive uses, comes to life in the Historic Properties, Port of Halifax.



## Canada Ports Corporation

### Performance Highlights

- Total port traffic was 31.2 million tonnes.
- New terminals officially opened: Grande-Anse in Chicoutimi, Pointe-Noire in Sept-Îles.
- Port Colborne grain elevator leased to private sector.
- Major projects for the Port of Churchill, dredging and construction of tug, neared completion.



## Review of Business

The Canada Ports Corporation (CPC) includes the ports of Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières. The Port of Saint John was established as a local port corporation effective at the close of business on December 31, 1986. Accordingly, the 1986 results of operations at the Port of Saint John are reported separately from those of the CPC ports.

The seven ports of the Canada Ports Corporation accounted for cargo volume of 31.2 million tonnes, representing 19 percent of the total traffic handled by the Ports Canada system. This is a volume increase of 6 percent over the 29.4 million tonnes handled in 1985. Of this total port traffic, 19 percent or 5.8 million tonnes, was handled at facilities owned by the Corporation. This represents an increase of 26 percent from the 4.6 million tonnes handled in 1985.

In Sept-Îles, total tonnage increased by 2 percent to 23.1 million tonnes. Most of this increase was due to a higher level of iron ore traffic through privately owned facilities, but there were also increases in ship-to-ship coal transshipments and shipments of petroleum products.

Higher grain throughput in 1986, versus the previous year, gave a boost to the ports of Trois-Rivières and Churchill. Grain volumes at Trois-Rivières were up over 1985 levels by 58 percent to 2.1 million tonnes and by 64 percent at Churchill to 591,000 tonnes. However, grain volumes fell at Prescott and Port Colborne by 18 percent and 24 percent respectively. Overall, grain throughput at the CPC ports was up 45 percent over 1985 to 3.0 million tonnes.

Cargo volume at the Port of Chicoutimi, including Baie des Ha! Ha!, was up 7 percent in 1986 to 3.9 million tonnes. Commodities contributing to the increase in tonnage included aluminum and petroleum products, salt, coal, iron ore and wood pulp. At Belledune, an 18 percent increase in volume for 1986, to 358,000 tonnes, was the result of increased shipments of bulk fertilizer and sulfuric acid.

**Revenue from Operations**
Operating revenues of $15.0 million for 1986 were up 22 percent from the $12.3 million recorded in 1985. This largely reflects a 26 percent increase in traffic through CPC-owned facilities. The most dramatic increase in operating revenues occurred at the Port of Churchill, where the 1985 revenue level of $4.3 million increased 69 percent to $7.2 million for 1986. Increases in operating revenues were also recorded at Belledune, Sept-Îles, Chicoutimi, Trois-Rivières and Prescott. These increases were partially offset by a $1.0 million decline in operating revenues at Port Colborne caused, in part, by lower grain volume. The reduced operating revenues at Port Colborne also reflect the fact that since August 1, 1986, the grain elevator has been leased to a private operator. The lease arrangement for the elevator has also had the corresponding impact of reducing operating expenses.

**Operating Expenses**
Increases in operating expenses for 1986 were kept to 2.2 percent for a total of $15.6 million compared to $15.3 million in 1985. Contributing to this low rate of growth were lower depreciation and grants in lieu of municipal taxes. Leasing the Port Colborne grain elevator to a private operator contributed to a reduction in operating expenses.

**Interest**
Investment income of $5.1 million was down 25 percent from the 1985 level of $6.9 million. This reduction was a result of a lower investment base following a $25.7 million cash payment to the Government of Canada in 1986.

**Income from Operations**
Funds provided by operations for the seven CPC ports, before depreciation, amounted to $2.2 million compared to $0.2 million in 1985. Provision for depreciation of $2.9 million resulted in an operating loss of $0.7 million for 1986, compared to an operating loss of $3.0 million in 1985. This improvement was largely the result of improved financial performance at the Port of Churchill, which achieved an operating income of $0.2 million for 1986 compared to an operating loss of $2.5 million in 1985.

**Net Income**
Before making provision for its share in the loss of Ridley Terminals Inc. and not including results from ports which have become local port corporations, CPC achieved a net income of $4.3 million in 1986, compared to a net income of $3.7 million in 1985. CPC incurred a 1986 loss on its investment in Ridley Terminals Inc. of $5.1 million. Including the results of Ridley Terminals Inc. and ports which have become local port corporations during the reporting period, the net loss of the Corporation was $1.7 million in 1986, compared to a net loss of $1.6 million in 1985.

**Capital Investments**
The Corporation spent $15.9 million on fixed assets in 1986, compared to $15.7 million in 1985 (excluding expenditures at ports which have since become local port corporations). Grant funds of $13 million were received from the federal government in 1986 to fund capital projects with the remaining funds being provided by working capital.

At the Port of Churchill, major expenditures were incurred in dredging the loading berth and in having a new tugboat constructed. Total capital expenditures at the port for 1986 amounted to $9.8 million, most of which was funded by grants.

The Pointe-Noire development at the Port of Sept-Îles was opened in 1986. Expenditures on this project to the end of 1986 reached $28.1 million, $3.3 million of which were spent in 1986, with an estimated $3.5 million to be spent in 1987 to complete the project. This project is being funded entirely by federal grants.

The relocation of the Port of Chicoutimi facilities to Grande-Anse was essentially completed in 1986. Project expenditures for 1986 amounted to $1.7 million and were funded by working capital. The remaining $0.9 million to be spent in 1987 to complete the project will also be funded by working capital. The total cost of the project is $26.6 million, of which 85 percent is being funded by federal grants.

**Note:**
The Port of Saint John was established as a local port corporation effective at the closing of business on December 31, 1986. This financial overview excludes the results of this port for 1985 and 1986. In comparison with 1985 data, results for the Port of St. John's, Newfoundland, which became a local port corporation on June 1, 1985, have been excluded for all of 1985.

**Port of Belledune**

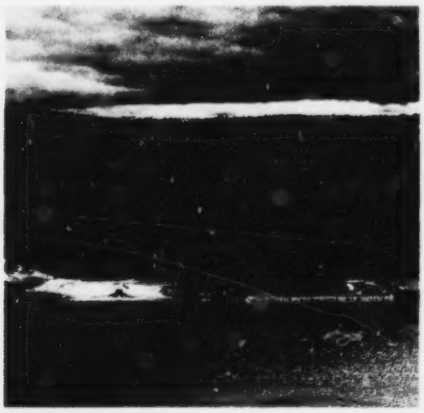
The Port of Belledune is situated on the south shore of the Baie des Chaleurs in New Brunswick, about 35 km northwest of Bathurst and 50 km east of Dalhousie. The port's single berth wharf, 167.6 m in length, is connected to the shore by a 7.5 m wide roadway constructed along the in-shore side of the breakwater.

Belledune Fertilizer leases the facility and operates it primarily as a bulk-loading terminal. Two other companies, Brunswick Mining and Smelting and Shell Canada, along with Belledune Fertilizer, accounted for almost 100 percent of the port's 1986 traffic, 358,000 tonnes, up from 303,000 tonnes in 1985.

Major commodities unloaded at the port throughout the year included 207,000 tonnes of phosphate rock, 74,000 tonnes of petroleum products and 16,000 tonnes of sulphuric acid. Outward commodities included 14,000 tonnes of lead ingots and 34,000 tonnes of di-ammonium phosphate.

In 1986, Ports Canada spent $205,000 on improving wharf lighting and safety features and Belledune Fertilizer contributed $194,000 in wharf repairs.

In 1986, revenue from operations was $188,000 compared with $147,000 in 1985. The port had an operating loss of $33,000, an improvement over the 1985 loss of $131,000. The port had a net loss of $26,000 compared to a 1985 loss of $96,000.



**Port of Chicoutimi**

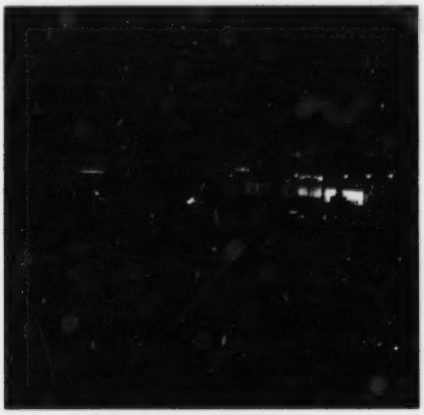
The Port of Chicoutimi is situated at the head of the navigable portion of the Saguenay River, approximately 121 km from the river's mouth and confluence with the St. Lawrence River. The port handles petroleum products, dry bulk, general cargo including forest products and is an important component in the transportation network serving the region's resource-based industries.

Private wharf facilities owned by Alcan, and located in Baie des Ha! Ha!, downstream from Chicoutimi, handled, in 1986, 3.4 million tonnes of commodities used in the production of aluminum; alumina, bauxite, coke, caustic soda as well as the export of the finished product. The facilities, are also used for the export of forest products.

The new $26.6 million marine terminal located at Grande-Anse was officially opened on October 9, 1986. The facilities, located on 6 hectares of land, include a 284 m wharf with a water depth alongside of 16 m and a 5,750 square metre cargo shed. The facilities, which are operational year-round, can accommodate dry bulk cargoes as well as general cargo.

In 1986, the port handled 482,000 tonnes, a 32 percent increase over the 1985 figure of 364,000 tonnes. Total dry bulk increased from 79,000 tonnes to 121,000 tonnes and included 89,000 tonnes of salt and 30,000 tonnes of coal. The port also handled 207,000 tonnes of petroleum products.

In 1986, revenue from operations increased to $1.3 million from $1 million in 1985. Net income fell from $1.1 million in 1985 to $0.7 million in 1986.



**Port of Churchill**

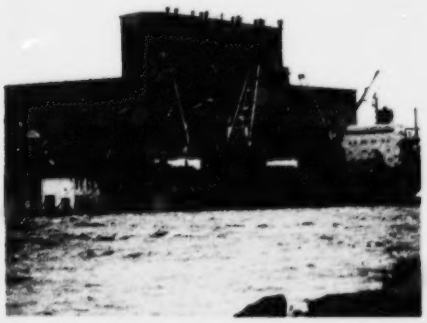
The Port of Churchill is situated on the Churchill River estuary on the western shore of Hudson Bay. It serves as an export outlet for western Canadian grain and as a re-supply depot for a number of communities in the Northwest Territories.

The terminal facilities include a grain elevator with a 140,000 tonne storage capacity. All berths are served by 10 km of CN track. Grain is delivered to the port in box cars.

In 1986, the port handled a total of 621,000 tonnes of cargo, a significant increase over the 1985 level of 391,000 tonnes. The 1986 figure included 591,000 tonnes of barley, up from 359,000 tonnes in 1985 and 30,000 tonnes of fuel and general cargo handled by the Northern Transportation Company Ltd. in their re-supply operations.

Major progress was made in 1986 on several projects initiated under the Canada-Manitoba Subsidiary Agreement on Churchill. In May, Fraser River Pile Driving Co. Ltd. was awarded a $7.3 million contract for berth dredging. At year's end, the work was 95 percent completed. Work neared completion on the construction of a new 3000 horsepower tug, the "HM WILSON", by Riverton Boat Works Ltd. under a $2.6 million contract awarded in late 1985. Also released, for review, was a series of studies examining season extension, additional commodities, re-supply operations and grain shipping costs.

In 1986, revenue from operations increased to $7.2 million from $4.3 million in 1985. The port's income from operations was $0.2 million compared to a 1985 loss of $2.5 million. Net income in 1986 was $0.7 million compared to the 1985 net loss of $1.6 million.



**Port Colborne**

Port Colborne is located at the south-end of the Welland Canal on the Seaway system. The 84,000 tonne grain elevator is used mainly for the export of Ontario-grown grain directly overseas or by transfer to downstream elevators. Local flour mills are supplied with wheat during the winter. The port is serviced by both rail and road.

Following a call for proposals in late 1985, the elevator was leased on a long-term basis to Goderich Elevators Limited of Ontario, effective July 1, 1986. An earlier task force study concluded that the private sector would provide the elevator with the greatest potential increase in grain traffic.

In 1986, Port Colborne handled 70,000 tonnes of grain compared to 92,000 tonnes in 1985.

Total revenue from operations was $0.4 million in 1986 compared with $1.4 million in 1985. The port had an operating loss of $1 million compared with a 1985 loss of $0.5 million and had a net loss of $0.5 million in relation to the 1985 net income of $0.3 million.

**Port of Prescott**

The Port of Prescott is situated on the St. Lawrence River approximately 200 km west of Montréal. Port facilities include a grain elevator with a 154,000 tonne storage capacity, two berths with Seaway depth for loading and unloading grain and an open storage area for dry bulk cargoes. The elevator is served by a rail siding accessible to both CN and CP.

The elevator was originally constructed in 1930 to transfer grain from larger upper-lake vessels to smaller canal-sized vessels. Currently, the elevator handles primarily Ontario wheat for export along with other grains for animal feed and milling.

In 1986, the port handled a total of 338,000 tonnes of cargo, a decrease of 19 percent over the 1985 tonnage of 419,000 tonnes. Grain tonnage decreased slightly from 288,000 tonnes to 235,000 tonnes. Salt traffic remained relatively constant at 98,000 tonnes while fertilizer decreased from 22,000 tonnes to 4,000 tonnes.

In 1986, revenue from operations increased to $2.7 million from $2.6 million in 1985. Income from operations rose to $0.2 million from $0.1 million in 1985 while net income dropped to $1.9 million from $2.3 million.

**Port of Sept-Îles**

The Port of Sept-Îles is located on the north shore of the St. Lawrence River, approximately 650 km downstream from Québec City and is well known for its large natural harbour. With a water depth of 80 meters at the entrance to Sept-Îles Bay, the port can accommodate the largest ocean-going bulk carriers on a year-round basis.

The port serves the iron ore mining industry of Quebec and Labrador. Traffic generated by the Iron Ore Company and Wabush Mines accounts for over 90 percent of total port activity. In 1986, the port handled 21 million tonnes of iron ore, the same as in 1985.

The new $36 million terminal at Pointe-Noire was officially opened by the Right Honourable Brian Mulroney, on August 21, 1986. The facilities include a 260 m wharf with a water depth of 14 m, a ro-ro ramp and 8 hectares of open storage for bulk commodities.

In 1986, total port tonnage increased 2 percent to 23.1 million tonnes, compared with 22.6 million tonnes in 1985. Ship-to-ship transfers of coal from lakers to ocean going vessels increased to 838,000 tonnes from 767,000 tonnes in 1985. The port also handled 474,000 tonnes of petroleum products in 1986.

In 1986, revenue from operations increased slightly to $1.1 million from $1 million in 1985. Operating loss increased to $63,000 from $29,000 in 1985 while 1986 net income rose to $0.5 million from $0.4 million in 1985.

**Port of Trois-Rivières**

The Port of Trois-Rivières is situated on the north shore of the St. Lawrence River, midway between Montréal and Québec, at the mouth of the St. Maurice River.

The port is open year-round and handles a wide range of commodities including grain, petroleum products, various ores, caustic soda, salt and forest products.

In 1986, the port handled a total of 2.8 million tonnes, up substantially from the 2 million tonnes handled in 1985. Total dry bulk cargoes increased 46 percent to 2.4 million tonnes with grain increasing from 1.4 million tonnes in 1985 to 2.1 million tonnes in 1986. Forest products, including newsprint and fine papers, increased 60 percent to 110,000 tonnes.

In 1986, revenue from operations was $2 million, up from $1.9 million in 1985. Income from operations increased from $0.1 million in 1985 to $0.2 million while 1986 net income decreased to $1.1 million from $1.4 million in 1985.

## Auditors' Report

To the Honourable John C. Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1986 and the statements of income, surplus, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 18, 1987

## Balance Sheet as at December 31, 1986

(in thousands of dollars)

| Assets | 1986 | 1985 |
|---|---|---|
| Current | | |
| Cash | $ 225 | $ 641 |
| Investments (Note 4) | 27,864 | 61,740 |
| Accounts receivable | 2,252 | 4,237 |
| Due from Canada | 458 | 2,645 |
| Materials and supplies | 352 | 514 |
| | 31,151 | 69,777 |
| Long-term investments (Note 4) | 18,225 | 19,102 |
| Investment in Ridley Terminals Inc. (Note 5) | 11,137 | 16,227 |
| Fixed assets (Note 7) | 39,528 | 126,147 |
| | $100,041 | $231,253 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 8) | $ 6,158 | $ 13,539 |
| Grants in lieu of municipal taxes | 491 | 480 |
| | 6,649 | 14,019 |
| Long-term | | |
| Accrued employee benefits | 1,303 | 1,554 |
| Financing provided by a province (Note 9) | — | 19,696 |
| Loans from Canada (Note 10) | 24,893 | 103,144 |
| | 26,196 | 124,394 |
| **Equity of Canada** | | |
| Contributed capital | 55,896 | 130,734 |
| Contribution from (to) Canada (Note 12) | (5,589) | 20,072 |
| Surplus (deficit) | 16,889 | (57,966) |
| | 67,196 | 92,840 |
| | $100,041 | $231,253 |

On behalf of the Board:

The Honourable A.R. Huntington
Chairman

Denis de Belleval
President and Chief Executive Officer

| Statement of Income | (in thousands of dollars) | |
|---|---|---|
| for the year ended December 31, 1986 | **1986** | 1985 |
| Revenue from operations | **$ 14,959** | $ 12,295 |
| Operating and administrative expenses — net | **11,510** | 10,857 |
| Depreciation | **2,877** | 3,169 |
| Grants in lieu of municipal taxes | **1,255** | 1,286 |
| | **15,642** | 15,312 |
| Net loss from operations | **(683)** | (3,017) |
| Investment income | **5,149** | 6,864 |
| Interest expense | **(128)** | (132) |
| Net income before the undernoted items | **4,338** | 3,715 |
| Net loss of ports established as local port corporations (Note 3) | **(988)** | (536) |
| Share in loss of Ridley Terminals Inc. (Note 5) | **(5,090)** | (4,797) |
| Net loss | **$ (1,740)** | $ (1,618) |

| Statement of Surplus (Deficit) | (in thousands of dollars) | |
|---|---|---|
| for the year ended December 31, 1986 | **1986** | 1985 |
| Deficit at beginning of the year | | |
| As previously reported | **$ (57,966)** | $ (56,775) |
| Adjustment of prior year's share in loss of Ridley Terminals Inc. (Note 5) | **—** | 1,291 |
| As restated | **(57,966)** | (55,484) |
| Net loss | **(1,740)** | (1,618) |
| | **(59,706)** | (57,102) |
| Surplus (deficit) transferred to local port corporations (Note 3) | **(76,595)** | 864 |
| Surplus (deficit) at end of the year | **$ 16,889** | $ (57,966) |

| Statement of Contributed Capital | (in thousands of dollars) | |
|---|---|---|
| for the year ended December 31, 1986 | **1986** | 1985 |
| Contributed capital at beginning of the year | **$130,734** | $142,319 |
| Forgiveness of deferred interest on loans from Canada (Note 10) | **4,371** | — |
| Contributed capital transferred to local port corporations (Note 3) | **(79,209)** | (11,585) |
| Contributed capital at end of the year | **$ 55,896** | $130,734 |

## Statement of Changes in Financial Position

(in thousands of dollars)

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Operating Activities | | |
| Net loss | **$ (1,740)** | $ (1,618) |
| Items not affecting cash | | |
| Depreciation | **5,483** | 6,078 |
| Deferred interest | **—** | 609 |
| Share in loss of Ridley Terminals Inc. | **5,090** | 4,797 |
| Other | **127** | 122 |
| Increase in operating components of working capital | **(2,727)** | (245) |
| Cash provided by operating activities | **6,233** | 9,743 |
| Financing Activities | | |
| Capital grants | **12,993** | 14,127 |
| Loans from Canada | **(6,993)** | 2,570 |
| Decrease (increase) in current portion of Loans from Canada | **1,469** | (1,712) |
| Decrease (increase) in current portion of financing provided by a province | **(175)** | 1,100 |
| Repayment of deferred interest | **—** | (486) |
| Contribution to Canada | **(26,694)** | — |
| Cash provided (required) by financing activities | **(19,400)** | 15,599 |
| Investing Activities | | |
| Additions to fixed assets | **16,379** | 17,310 |
| Proceeds on disposal of fixed assets | **(187)** | (12) |
| Cash required by investing activities | **16,192** | 17,298 |
| Increase (decrease) in cash and short-term investments | **(29,359)** | 8,044 |
| Cash and short-term investments at beginning of the year | **62,381** | 60,028 |
| Cash and short-term investments transferred to local port corporations (Note 3) | **(4,933)** | (5,691) |
| Cash and short-term investments at end of the year | **$28,089** | $62,381 |

## Notes to Financial Statements

December 31, 1986

### 1. Canada Ports Corporation Act

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

### 2. Significant Accounting Policies

a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

**3. Local Port Corporations**
At the closing of business on December 31, 1986, the Port of Saint John, New Brunswick was established as a local port corporation under the name of Saint John Port Corporation. The Port of St. John's, Newfoundland was established as a local port corporation on June 1, 1985, under the name of St. John's Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the local port corporations on the dates of their establishment at their carrying value in the accounts of the Corporation. As a result, the carrying value of the assets, liabilities and equity of the Corporation has been reduced as follows:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | **$ 4,933** | $ 5,691 |
| Other working capital | **(309)** | (303) |
| Long-term investments | **949** | 944 |
| Fixed | **84,368** | 8,135 |
| | **$89,941** | $14,467 |
| **Liabilities** | | |
| Long-term accrued employee benefits | **$ 483** | $ 69 |
| Financing provided by a province | **19,521** | — |
| Loans from Canada | **68,356** | 1,949 |
| | **88,360** | 2,018 |
| **Equity** | | |
| Contributed capital | **79,209** | 11,585 |
| Contribution to Canada | **(1,033)** | — |
| Surplus (deficit) | **(76,595)** | 864 |
| | **$89,941** | $14,467 |

The statement of income includes the results of operations of the Port of Saint John for the years ended December 31, 1986 and 1985, and the results of operations of the Port of St. John's for the five month period ended May 31, 1985, as follows:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Revenue from operations | **$11,562** | $12,228 |
| Operating and administrative expenses | **7,098** | 7,297 |
| Depreciation | **2,606** | 2,909 |
| Grants in lieu of municipal taxes | **801** | 808 |
| | **10,505** | 11,014 |
| Net income from operations | **1,057** | 1,214 |
| Investment income | **1,268** | 1,900 |
| Interest expense | **(3,313)** | (3,650) |
| Net loss of ports established as local port corporations | **$ (988)** | $ (536) |

**4. Investments**
Investments, which are direct and guaranteed securities of Canada, are:

(in thousands of dollars)

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | **Amortized Cost** | **Market Value** | Amortized Cost | Market Value |
| Current | **$27,864** | **$27,874** | $61,740 | $61,726 |
| Long term | **$18,225** | **$22,050** | $19,102 | $21,830 |

**5. Investment in Ridley Terminals Inc.**
Ridley Terminals Inc. (RTI) was incorporated on December 18, 1981, under the Canada Business Corporations Act to develop, manage and operate a coal terminal on Ridley Island at the Port of Prince Rupert.

At December 31, 1986, Canada Ports Corporation (the Corporation) had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the Class A preference shares ($23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the Class B preference shares ($23,020,500) of RTI.

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1986, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

As a result of RTI's successful appeal of the assessment of the 1983 and 1984 property taxes, $2,582,000 was refunded to RTI in March 1985. The Corporation's deficit balance at January 1, 1985, was adjusted accordingly by $1,291,000 representing the Corporation's 50% share of the amount received.

The investment in Ridley Terminals Inc. is composed of:

(in thousands of dollars)

| | **1986** | 1985 |
|---|---|---|
| Balance at beginning of the year | **$ 16,227** | $ 21,024 |
| Share in loss | **(5,090)** | (4,797) |
| Balance at end of the year | **$ 11,137** | $ 16,227 |

A summary of the balance sheet of RTI as at December 31, as reported in its audited financial statements shows:

(in thousands of dollars)

| | **1986** | 1985 |
|---|---|---|
| **Assets** | | |
| Current | **$ 3,640** | $ 4,580 |
| Fixed | **224,792** | 230,540 |
| Other | **83** | 92 |
| | **$228,515** | $235,212 |
| **Liabilities** | | |
| Current | **$ 1,225** | $ 1,941 |
| Long-term debt | **203,835** | 199,636 |
| | **205,060** | 201,577 |
| **Equity** | **23,455** | 33,635 |
| | **$228,515** | $235,212 |

RTI has two long-term financing agreements with a major Canadian bank as follows:

a) a construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on the bank loans is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently 1/2% per annum.

b) a revolving credit loan agreement which provides an $80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1989 through January 31, 1992. Interest on the bank loans is at the bank's prime rate plus 1/4% per annum, payable monthly. The Bankers' Acceptance fee is currently 3/4% per annum.

This agreement is secured by a $350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease with the Prince Rupert Port Corporation.

As at December 31, 1986, drawings under these agreements were as follows:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| a) Construction credit loan agreement — | | |
| Bank loans | $ — | $ 65,000 |
| Bankers' acceptances, net of unamortized interest charges | 197,940 | 134,036 |
| | 197,940 | 199,036 |
| b) Revolving credit loan agreement — | | |
| Bank loans | 1,900 | 600 |
| Bankers' acceptances, net of unamortized interest charges | 3,995 | — |
| | 5,895 | 600 |
| | $203,835 | $199,636 |

Based on the amounts borrowed under the credit facilities as at December 31, 1986, annual principal repayments over the next five years amount to $738,000 in 1989, $1,918,000 in 1990 and $7,200,000 in 1991.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The Class B preference shares annual dividend of 20% is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profit taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates in the event that dividends accrued are not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1986, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Class A preference shares held by Canada Ports Corporation | $19,745 | $12,930 |
| Class B preference shares held by Fednav Limited | 46,567 | 29,764 |
| | $66,312 | $42,694 |

The results of operations of RTI for the year ended December 31, 1986, in comparison with the year ended December 31, 1985, are as follows:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Revenue from operations | $ 28,793 | $30,855 |
| Operating and administrative expenses | 12,408 | 12,943 |
| Depreciation | 6,594 | 7,212 |
| Interest expense | 19,971 | 20,294 |
| | 38,973 | 40,449 |
| Net loss | $(10,180) | $ (9,594) |

## 6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amount of $14,153,000 (1985-$14,257,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of $971,000 (1985-$978,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1986, this transfer had not been completed.

## 7. Fixed Assets

a) Summary

(in thousands of dollars)

| | Depreciation rates (%) | Cost | Accumulated depreciation | 1986 Net | 1985 Net |
|---|---|---|---|---|---|
| Land | — | $ 5,591 | $ — | $ 5,591 | $35,647 |
| Dredging | 2.5-6.7 | 9,330 | 5,101 | 4,229 | 5,187 |
| Berthing structures | 2.5-10 | 35,128 | 17,835 | 17,293 | 56,090 |
| Buildings | 2.5-10 | 15,911 | 11,982 | 3,929 | 12,728 |
| Utilities | 3.3-10 | 2,884 | 1,282 | 1,602 | 6,405 |
| Roads and surfaces | 2.5-10 | 2,139 | 1,706 | 433 | 1,729 |
| Machinery and equipment | 5-100 | 18,640 | 13,598 | 5,042 | 6,337 |
| Office furniture and equipment | 20 | 2,161 | 1,749 | 412 | 462 |
| Works under construction | — | 997 | — | 997 | 1,562 |
| | | $92,781 | $53,253 | $39,528 | $126,147 |

b) Capital grants

During the year, the Corporation received capital grants totalling $12,993,000 (1985-$14,127,000) towards the construction of capital projects.

c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $232,000, of which most will be expended in the year ending December 31, 1987.

## 8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following:

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Deferred revenues | $192 | $ 749 |
| Current portion of long-term liabilities | $ 70 | $1,712 |

## 9. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. As at December 31, 1986, both the asset and the remaining debt were transferred to the Saint John Port Corporation.

## 10. Loans from Canada

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Loans bearing interest at 6.44% and 9.09% with blended annual principal and interest repayment requirements of $193,000 and maturing on December 31, 2000. | **$ 1,632** | $29,362 |
| Deferred interest | **—** | 4,371 |
| Less: current portion | **(70)** | (1,712) |
| | **1,562** | 32,021 |
| Non-interest bearing loans with indefinite due date | **17,841** | 55,609 |
| Accrued interest on loans not due and payable | **5,490** | 15,514 |
| | **$24,893** | $103,144 |

Deferred interest on loans of $19,737,000 for the construction of terminal facilities at the Port of Saint John amounted to $4,371,000 as at December 31, 1985. In 1986, the deferred interest was forgiven by the Minister of Finance and was treated as contributed capital.

Principal repayment requirements over the next five years amount to $70,000 in 1987, $75,000 in 1988, $81,000 in 1989, $87,000 in 1990 and $93,000 in 1991.

## 11. Contingencies

Claims aggregating approximately $500,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

## 12. Contribution from (to) Canada

In 1982, the Corporation received a contribution from Canada of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution were to be determined by Treasury Board and the Corporation prior to April 1, 1989.

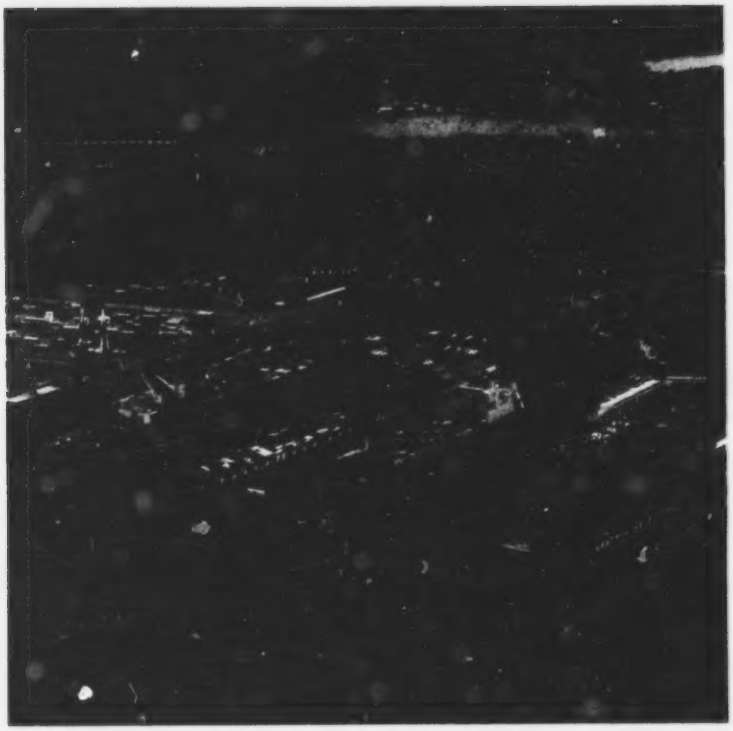
In 1985, Canada requested from various Crown Corporations a portion of cash identified as surplus to their requirements. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system which, at that time, consisted of the Canada Ports Corporation and the six local port corporations.

The Corporation's share of the contribution, excluding the Port of Saint John's share, was in the amount of $25,661,000 of which $20,072,000 has been applied against Contribution from Canada as authorized by the Minister of Transport. The balance of $5,589,000 has been treated as a Contribution to Canada.

## 13. Comparative Figures

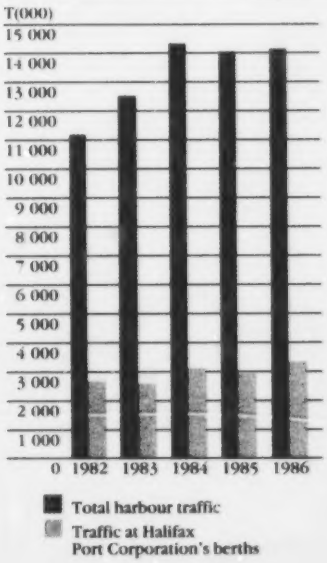
The 1985 figures have been reclassified in order to conform with this year's presentation.

# Halifax Port Corporation



**Performance Highlights**

- Container cargo volume over H.P.C. facilities increased by 16% to 2.3 million tonnes.
- Vessel Gross Registered Tonnage at H.P.C. facilities increased by 7% to 17 million tonnes.
- Total cargo volume at H.P.C. facilities increased by 13% to 3.3 million tonnes.
- Greatest cargo volume ever over H.P.C. facilities (excluding war years)
- Seven shipping lines commenced a service over H.P.C. facilities during the year.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Raymond V. Beck

David F. Bellefontaine

Halifax, the capital city of the Province of Nova Scotia, is first and foremost an historical port city. In 1749, General Cornwallis founded modern Halifax as a garrison town and naval base during the Anglo-French struggle for the control of Canada. Even earlier, in 1701, a French governor described Halifax as "the finest port nature could form", with its outer harbour, four miles long, and with a narrow channel leading to a huge inner harbour, Bedford Basin. It was here, in Bedford Basin, where the convoys of the two world wars assembled for the Atlantic crossing.

In fact, Halifax became a strategic location not only for the two great wars but also during the American War of Independence and the Napoleonic Wars. Its geographic situation, on the doorstep of the great Atlantic Ocean, provided an excellent location for ship safety, and today Halifax is the headquarters of the Canadian Armed Forces, Maritime Command.

On the commercial side, Halifax is well known as the birth place of Samuel Cunard, who in 1838 founded the British and North American Royal Mail Steam Packet Company with a service between Halifax, Boston and Bermuda. A year later, he founded Cunard Line, won the mail contract, and his first ship BRITANNIA sailed to Halifax from Liverpool. On July 17, 1840, the BRITANNIA docked in Halifax, marking another historical event in Canadian history; for who was on board but Charles Dickens.

Shipping has come a long way since Charles Dickens visited Halifax 146 years ago; the Port of Halifax, with its state-of-the-art container terminals, efficient inland rail system, stable work force, and geographic advantages, has now become a fully-integrated, intermodal transportation and distribution centre. The Corporation's mandate to provide safe and efficient marine terminals and facilities to support Canadian and international trade is becoming increasingly difficult to maintain. Competitive pressures from other North American ports and from shipping lines to improve service levels and reduce port costs are natural ingredients of managing ports today. Port management must scrutinize costs of all port operations to ensure that these costs are competitive; failure to follow this policy will lead to traffic loss.

The Halifax Port Corporation has invested heavily in new terminal infrastructure in order to protect its customer base and to provide for traffic growth in the future. The Corporation believes the French governor was correct in his statement in 1701; the task is to ensure that Halifax keeps its rightful place among the world's leading ports.

### Capital Expenditures

Capital expenditures in 1986 totalled $2 million, of which $840,000 was invested in completing the Fairview Cove container berth extension which became operational, on schedule, on June 1, 1986. The Fairview Cove container terminal complex now has a total berth length of 658 meters, and combined with the Pier "C" container terminal, the port can handle over 4 million tonnes of container cargo per year.

Ten years of capital investment in the Corporation's facilities amounts to $59.1 million; of this amount, $43.9 million has been spent on providing new container facilities. Over the next five years, the port plans to spend $10.9 million on its capital program for facility modernization and additional berthing structures. The Corporation's policy of sound investments will ensure that financial viability is maintained and the port's success assured.

### Cargo Highlights

Total harbour traffic reached a level of 14.1 million tonnes in 1986, up slightly from the 14 million tonnes recorded in 1985. Imports of crude oil decreased by 3.3 percent to a level of 4.2 million tonnes in 1986, whereas imports and exports of refined oil products increased by 1 percent to 3.5 million tonnes in 1986.

A new record was reached for containerized cargo in 1986; 2.265 million tonnes of containerized cargo was recorded in 1986 resulting in an increase of 15.9 percent over the 1.954 million tonnes in 1985. At Halifax Port Corporation berths, containerized cargo represented 68.2 percent of total cargo handled, compared with 66.6 percent a year earlier. The trend toward larger container vessels is expected to favour Halifax in the future. Marketing efforts are being concentrated on the port's advantages as a load centre for round-the-world shipping interests.

### Financial Results

Revenue from operations was $11 million, down from the $11.8 million in 1985 due to the leasing of the grain elevator facility in late 1985. Total expenses amounted to $9.9 million, a decrease of 7.5 percent from $10.7 million recorded in 1985. Net income from operations rose to $1.6 million, an increase of 46.7 percent from 1985; net interest expense for the year was $0.1 million, compared to net interest income of $0.6 million a year earlier. Net income was $1.3 million, a reduction of $0.4 million from the preceding year. The Corporation's working capital improved by $4.2 million during the year, of which $3.6 million represented a reduction in current trade payables associated with capital projects.

The reduction in investment income and increase in interest expense on loans acquired for capital funding resulted in the decline in port profits.

During 1986, seven shipping lines added Halifax as a port of call for their container/general cargo service — Associated Container Transportation formed a slot character agreement with Columbus Line and commenced their service in January; Ocean Star Line commenced its service from Australia and New Zealand in April; Jebsen Line started its service in April with monthly sailings to Australia, New Zealand and the Mediterranean; Orient Overseas Container Line commenced its service in May, followed by Neptune Orient Line in June and Kawasaki Kisen Kaisha Limited in August. This consortium has a dedicated service from Halifax direct to Southeast Asia. Scan Carriers (Barber Blue Sea) started its Halifax service in June with sailings to Australia and New Zealand. The addition of these customers in 1986 supports the philosophy of port management that the trend towards larger vessels and fewer port calls will continue; geographic location of a port is a key factor in the decision making process by shipping lines.

In addition to the record year for containers, the port handled thirty-four cruise ship calls, carrying over 15,000 passengers in 1986, up from seventeen vessel calls in 1985. It is expected that this business will continue in 1987.

We take this opportunity to thank the employees of the Corporation for their support over the past year, and to waterfront labour, port users and all of our colleagues in the shipping business for their contribution in 1986. It has to be remembered that the port operates as a "team effort"; the team has a common interest — to promote the Port of Halifax and to ensure that it retains its rightful place among other leading ports around the world.

R. V. Beck

Chairman of the Board

D. F. Bellefontaine

General Manager and Chief Executive Officer

## Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1986, and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Chartered Accountants

Halifax, Nova Scotia
February 6, 1987

## Balance Sheet as at December 31, 1986

| **Assets** | **1986** | 1985 |
|---|---|---|
| Current | | |
| Cash | **$ 52,148** | $ 228,147 |
| Investments (Note 3) | **3,999,445** | 3,597,121 |
| Accounts receivable | **2,590,519** | 1,753,353 |
| Materials and supplies | **92,842** | 84,491 |
| | **6,734,954** | 5,663,112 |
| Investments (Note 3) | **33,195** | 33,090 |
| Amounts receivable | | 350,782 |
| Fixed (Note 4) | **53,839,280** | 54,172,543 |
| | **$60,607,429** | $60,219,527 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ 837,109** | $ 4,468,785 |
| Grants in lieu of municipal taxes | **32,702** | 163,809 |
| Deferred revenues | **858,106** | 523,308 |
| Current portion of long term debt | **276,080** | |
| | **2,003,997** | 5,155,902 |
| Accrued employee benefits | **682,648** | 652,043 |
| Loans from Canada (Note 5) | **34,680,853** | 30,556,933 |
| | **37,367,498** | 36,364,878 |
| **Equity** | | |
| Contributed capital | **72,136,346** | 72,136,346 |
| Contribution to Canada (Note 6) | **(1,920,000)** | |
| Deficit | **(46,976,415)** | (48,281,697) |
| | **23,239,931** | 23,854,649 |
| | **$60,607,429** | $60,219,527 |

On behalf of the Board:

Raymond V. Beck
Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

## Statement of Income and Deficit

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Revenue from operations | $ 11,037,012 | $ 9,779,179 |
| Operating and administrative expenses | 6,788,356 | 6,290,314 |
| Depreciation | 2,002,115 | 1,519,654 |
| Grants in lieu of municipal taxes | 668,352 | 818,640 |
| Loss on grain elevator operations (Note 7) | | 75,069 |
| | 9,458,823 | 8,703,677 |
| Income from operations | 1,578,189 | 1,075,502 |
| Investment income | 361,937 | 663,275 |
| Interest expense | (476,582) | (37,989) |
| Loss on disposal of fixed assets | (407,262) | |
| | (521,907) | 625,286 |
| Net income before extraordinary item | 1,056,282 | 1,700,788 |
| Extraordinary item | | |
| Gain on sale of land | 249,000 | |
| Net income | 1,305,282 | 1,700,788 |
| Deficit, beginning of year | (48,281,697) | (49,982,485) |
| Deficit, end of year | $(46,976,415) | $(48,281,697) |

## Statement of Changes in Financial Position

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Operating activities | | |
| Net income before extraordinary item | $ 1,056,282 | $ 1,700,788 |
| Depreciation | 2,002,115 | 1,519,654 |
| Other | 437,762 | (51,772) |
| Decrease (increase) in operating components of working capital | (3,997,423) | 1,101,367 |
| Cash provided by (applied to) operating activities | (501,264) | 4,270,037 |
| Financing activities | | |
| Capital grants | | (10,263) |
| Loans from Canada | 4,123,920 | 2,650,000 |
| Loans from Canada currently payable | | (2,650,000) |
| Cash provided by (applied to) financing activities | 4,123,920 | (10,263) |
| Investing activities | | |
| Proceeds from sale of land | 249,000 | |
| Additions to fixed assets | (2,080,510) | (12,288,251) |
| Other | 355,179 | (68,377) |
| Cash applied to investing activities | (1,476,331) | (12,356,628) |
| Contribution to Canada | (1,920,000) | |
| Increase (decrease) in cash and short-term investments | 226,325 | (8,096,854) |
| Cash and short-term investments, beginning of year | 3,825,268 | 11,922,122 |
| Cash and short-term investments, end of year | $ 4,051,593 | $ 3,825,268 |

## Notes to Financial Statements

for the year ended December 31, 1986

**1.** In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of Halifax to the Halifax Port Corporation.

### 2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Insurance
Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

### 3. Investments

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | **Amortized Cost** | **Face Value** | Amortized Cost | Face Value |
| Short term | **$3,999,445** | **$4,045,400** | $3,597,121 | $3,618,500 |
| | **Amortized Cost** | **Market Value** | Amortized Cost | Market Value |
| Long term | **$ 33,195** | **$ 33,242** | $ 33,090 | $ 33,242 |

### 4. Fixed Assets

| | | 1986 | | | 1985 |
|---|---|---|---|---|---|
| | **Depreciation Rates** | **Cost** | **Accumulated Depreciation** | **Net Book Value** | Net Book Value |
| Land | | **$23,324,979** | **$** | **$23,324,979** | $18,024,654 |
| Dredging | **2.5-6.7%** | **2,596,947** | **2,201,275** | **395,672** | 422,230 |
| Berthing structures | **2.5-10%** | **32,234,879** | **16,883,596** | **15,351,283** | 7,853,789 |
| Buildings | **2.5-10%** | **17,218,138** | **10,702,336** | **6,515,802** | 7,227,753 |
| Utilities | **3.3-10%** | **4,409,404** | **1,659,267** | **2,750,137** | 1,402,979 |
| Roads and surfaces | **2.5-10%** | **6,434,209** | **3,203,685** | **3,230,524** | 2,698,939 |
| Machinery and equipment | **5-100%** | **9,230,913** | **7,389,937** | **1,840,976** | 1,554,323 |
| Office furniture and equipment | **20%** | **790,302** | **489,053** | **301,249** | 351,707 |
| Projects under construction | | **128,658** | | **128,658** | 14,636,169 |
| | | **$96,368,429** | **$42,529,149** | **$53,839,280** | $54,172,543 |

### 5. Loans from Canada

| | 1986 | 1985 |
|---|---|---|
| Non-interest bearing loan with indefinite due date | $25,555,762 | $25,555,762 |
| Accrued interest on loans not due and payable | 5,001,171 | 5,001,171 |
| | 30,556,933 | 30,556,933 |
| 10% loan maturing on December 31, 1996 repayable in blended annual principal and interest payments of $716,080 | 4,400,000 | |
| Less current portion repayable within one year | 276,080 | |
| | 4,123,920 | |
| The loans from Canada are unsecured. | $34,680,853 | $30,556,933 |

### 6. Contribution to Canada

This amount was paid pursuant to a demand from the Government of Canada.

### 7. Comparative Figures

Certain of the 1985 comparative figures have been restated to separately disclose as follows the grain elevator operations:

| | |
|---|---|
| Revenue from operations | $1,981,725 |
| Operating and administrative expenses | 1,933,839 |
| Grants in lieu of municipal taxes | 122,955 |
| | 2,056,794 |
| Loss on operations | $ (75,069) |


### Board of Directors

**Raymond V. Beck**
Chairman
Former General Manager
Halifax Port Corporation
Halifax, N. S.

**Donald A. Parker**
Vice-Chairman
President of various local companies
Dartmouth, N. S.

**Gerald E. Simmons**
Former Regional Manager
Saguenay Shipping Ltd.
Dartmouth, N. S.

**Paul M. Murphy, Q.C.**
Partner
Patterson Kitz
Halifax, N.S.

**Harald A. Henriksen**
General Manager
Karlsen Shipping Company Ltd.
Halifax, N. S.

**Florence R. Irwin**
Partner
Canadian Annuity and Insurance Services Ltd.
Bedford, N.S.

**Michael J. Proude**
President
International Longshoremen's Association, Local 269
Dartmouth, N. S.

### Officers of the Corporation

**Raymond V. Beck**
Chairman

**Donald A. Parker**
Vice-Chairman

**David F. Bellefontaine**
General Manager and Chief Executive Officer

**Lorraine E. Brenton**
Corporate Secretary

**Richard T. Pentland**
Director of Engineering

**Dennis W. Creamer**
Director of Finance and Administration

**Robert A. Kaye**
Director of Marketing

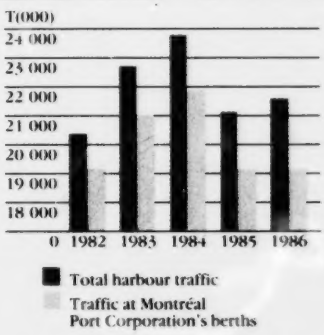
**Captain Claude L. Ball**
Director of Operations/Harbour Master

**J. Sidney Peckford**
Director of Police and Security

# Montréal Port Corporation

## Performance Highlights

- Montréal, a multifunctional port with an international stature and Canada's Number One Container Port, for the first time in its history handled over 500,000 containers (TEUs) in a single year.
- Containerized traffic increased 11.7% to 4.9 million tonnes, marking the fourth consecutive record year.
- General cargo traffic for the first time surpassed the six-million tonne mark.
- International traffic climbed 12.2% to reach the record level of 14.5 million tonnes.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Ronald Corey

Dominic J. Taddeo

The Port of Montréal is pleased to present the positive results of its port activity in 1986, a year marked by unprecedented success in containerized cargo handling.

The results achieved in the year gone by clearly show that the Port of Montréal firmly planted itself on the path of progress 20 years ago when it handled its very first container.

With the dawn of containerization, the Port of Montréal not only expanded its market horizons, but also enhanced its already highly-diversified traffic. Today more than ever, Montréal, Canada's Number One Container Port, is a multifunctional port with an international stature.

In carving an enviable position for itself in the containerized cargo market over the past 20 years, the Port of Montréal also succeeded in greatly increasing its general cargo traffic, the category that creates the most jobs and generates the most economic benefits. In 1986, this traffic surpassed the six-million tonne mark for the first time. That peak would have been almost impossible to attain had the Port of Montréal not made a timely and resolute commitment to the path of containerization, of progress and the future.

### Summary of Port Activity

Our containerized traffic greatly contributed to making 1986 a good year, as the highlights of port activity indicate:

- A fourth consecutive record year in containerized traffic, which increased 11.7 percent to 4.9 million tonnes from 4.4 million tonnes in 1985;
- Handling a record amount of more than 500,000 containers (TEUs) in a single year. The number of containers handled in 1986 climbed to an unprecedented 531,525 compared to 481,525 in 1985, an increase of 50,000;
- Handling over four million containers or TEUs (4,236,187 to be exact) since the dawn of containerization in Montréal in 1967;
- Record traffic of 6.1 million tonnes of general cargo, up 11.5 percent from 5.4 million tonnes in 1985;
- An increase of 2.4 percent or 500,000 tonnes in total traffic, which climbed to 21.6 million tonnes despite a slowdown in the grain and petroleum product sectors;
- A 14.7 percent increase in shipments of other solid and liquid bulk, which totalled 5.8 million tonnes compared to 5.1 million tonnes in 1985.

As expected, grain and petroleum products were the only categories to record a decline in traffic due to factors beyond our control.

At four million tonnes, grain shipments were down 12.7 percent from 4.6 million tonnes in 1985. This traffic felt the effects of a second consecutive poor harvest on the Prairies in the summer of 1985 and reflects a definite slump in the world grain market, where supply is largely outstripping demand.

Petroleum products traffic dropped by 4.9 percent from six million tonnes in 1985 to 5.7 million tonnes at the end of last year. For the second year in a row, outbound shipments of domestic crude declined as a result of the termination, in June 1985, of the transport subsidy program for Canadian crude. It should be noted, however, that over the past five years, traffic in refined petroleum products has stabilized at about five million tonnes.

From all indications, in 1986 we had more reasons to feel satisfied than disappointed. On the whole, the results of our port activity are highly encouraging, all the more so for having been achieved amid very fierce competition in both the shipping industry and international trade.

We are especially pleased with the Port of Montréal's outstanding performance in the containerized cargo sector. The fact that in a single year the port managed to handle over 500,000 containers (TEUs), or one eighth of its total container traffic for the past 20 years, is an achievement worth mentioning and one that rather spectacularly illustrates our growth in this sector.

An analysis of cargo movements at the port also brought another very heartening fact to our attention. In effect, our statistics show that international traffic at the port is clearly on the rise. In 1986, it increased 12.2 percent to a record level of 14.5 million tonnes.

This growth in international traffic, like the unprecedented success achieved in the containerized cargo market, attests to the excellent reputation the Port of Montréal enjoys around the world.

Its reputation of being a reliable, efficient and competitive port is the product of many years of effort on the part of everyone involved in port activity, whom we gratefully salute.

### Highlights of the Fiscal Year

The Corporation is proud and pleased to submit, for the seventh consecutive year, positive financial results.

A glance at the results for fiscal 1986 shows 56.7 million in revenue from operations, a net income of 13.8 million and capital expenditures of 15.4 million.

### Prospects

We feel confident that 1987 will be another good year for the Port of Montréal, which has a promising future because of, among other factors, its unique geographic location on the doorstep of the North American industrial heartland, its intermodal service which is among the most efficient and competitive anywhere, and its enviable position in the containerized cargo market.

We know that port activity can be affected by various factors, primarily of an economic nature, over which we have no control. For example, our grain traffic will continue to feel the effects of a slowdown in the world market for this commodity, where supply is greatly exceeding demand. According to experts, we cannot expect this situation to redress itself until five years from now.

Nonetheless, we believe that the Port of Montréal, on the strength of its highly diversified traffic, can still achieve highly satisfying results despite the slowdowns that can always occur in one sector or another of economic activity. We saw proof of that in 1986.

We remain convinced that the Port of Montréal will be increasingly active and contribute even more to the prosperity of citizens of the region, the province and all of Canada.

However, we have no intention of becoming overconfident; rather we will keep building the Port of Montréal's future with enthusiasm and dedication.

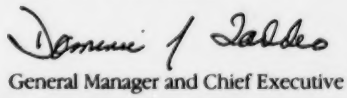
To ensure that future, in the short and medium-term, we will have to carry out major improvement and expansion projects on our facilities. We expect that this work will require capital expenditures in the order of $140 million between now and 1991.

Thus we expect to invest about $75 million in enlarging and upgrading our container terminals and another $25 million in improving our railway system and building shunting and loading tracks.

Improving and modernizing our grain elevators, vital if we are to maintain our share of the market, will require investments in the order of $25 million. Lastly, we also plan to invest some $15 million in other infrastructure.

In concluding, we must underscore the dedication and competence of the men and women who have made a major contribution to the Port of Montréal's success. We wholeheartedly thank our employees and all members of the port community. We are proud that each and every one of them is determined to ensure the Port of Montréal's success.

Chairman of the Board



General Manager and Chief Executive Officer

## Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the statements of income, contributions to Canada, deficit and changes in financial position of the Montréal Port Corporation for the fiscal year ended December 31, 1986 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1986 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, the Letters Patent and by-laws of the Corporation.

Samson Bélair
Chartered Accountants

Montréal, Quebec
February 9, 1987

## Balance Sheet as at December 31

(in thousands of dollars)

| Assets | 1986 | 1985 |
|---|---|---|
| Current | | |
| Cash | $ 567 | $ 298 |
| Investments (note 3) | 27,280 | 79,594 |
| Accounts receivable | 13,206 | 10,003 |
| Materials and supplies | 832 | 774 |
| | 41,885 | 90,669 |
| Long-term | | |
| Investments (note 3) | 39,218 | 39,041 |
| Receivables | 459 | 552 |
| | 39,677 | 39,593 |
| Fixed assets (note 4) | 130,682 | 123,433 |
| | $212,244 | $253,695 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities (note 5) | $ 8,590 | $ 9,022 |
| Dividends payable | 4,136 | — |
| Grants in lieu of municipal taxes | 3,315 | 2,851 |
| | 16,041 | 11,873 |
| Long-term | | |
| Accrued employee benefits | 5,283 | 5,207 |
| Loans from Canada (note 6) | 238,508 | 238,869 |
| | 243,791 | 244,076 |
| **Equity of Canada** | | |
| Contributed capital | 19,243 | 19,243 |
| Contributions to Canada (note 10) | (59,119) | — |
| Deficit | ( 7,712) | (21,497) |
| | (47,588) | ( 2,254) |
| | $212,244 | $253,695 |

On behalf of the Board:

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

| Statement of Income | | (in thousands of dollars) |
|---|---|---|
| for the year ended December 31 | **1986** | 1985 |
| Revenue from operations | **$56,659** | $54,729 |
| Operating and administrative expenses | **39,690** | 37,345 |
| Depreciation | **7,254** | 6,711 |
| Grants in lieu of municipal taxes | **3,873** | 3,914 |
| | **50,817** | 47,970 |
| Net income from operations | **5,842** | 6,759 |
| Investment income | **8,446** | 12,006 |
| Interest expense | **( 503)** | ( 523) |
| | **7,943** | 11,483 |
| Net income before unusual item | **13,785** | 18,242 |
| Adjustment of grants in lieu of municipal taxes | **—** | 1,612 |
| Net income for the year | **$13,785** | $19,854 |

| Statement of Contributions to Canada | | (in thousands of dollars) |
|---|---|---|
| for the year ended December 31 | **1986** | 1985 |
| Special contributions for the year | **$54,983** | $ — |
| Dividends on net income for the year | **4,136** | — |
| Balance at end | **$59,119** | $ — |

| Statement of Deficit | | (in thousands of dollars) |
|---|---|---|
| for the year ended December 31 | **1986** | 1985 |
| Balance at beginning | **$21,497** | $41,351 |
| Net income for the year | **13,785** | 19,854 |
| Balance at end | **$ 7,712** | $21,497 |

| Statement of Changes in Financial Position | | (in thousands of dollars) |
|---|---|---|
| for the year ended December 31 | **1986** | 1985 |
| Cash provided by (used for) the following activities: | | |
| Operations | | |
| Net income for the year | **$13,785** | $19,854 |
| Items not affecting cash | | |
| Depreciation | **7,254** | 6,711 |
| Others | **871** | ( 63) |
| | **21,910** | 26,502 |
| Changes in non-cash operating working capital balances | **( 3,175)** | ( 3,495) |
| | **18,735** | 23,007 |
| Financing | | |
| Repayment of loans from Canada | **( 339)** | ( 319) |
| Contributions to Canada | **(54,983)** | — |
| | **(55,322)** | ( 319) |
| Investments | | |
| Acquisition of long-term investments | **( 177)** | ( 57) |
| Receipt of long-term receivables | **93** | 26 |
| Acquisition of fixed assets | **(15,374)** | (10,525) |
| | **(15,458)** | (10,556) |
| Cash* | | |
| Increase (decrease) during the year | **(52,045)** | 12,132 |
| Balance at beginning | **79,892** | 67,760 |
| Balance at end | **$27,847** | $79,892 |

* Cash comprises cash and current investments

## Notes to Financial Statements

for the year ended December 31, 1986

### 1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

### 2. Significant Accounting Policies

a) Fixed Assets and Depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Grants in Lieu of Municipal Taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

d) Employee Benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

### 3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31, 1986, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is $46,246,000 ($43,881,239 in 1985).

### 4. Fixed Assets

(in thousands of dollars)

| | | | | 1986 | 1985 |
|---|---|---|---|---|---|
| | Depreciation Rates | Cost | Accumulated Depreciation | Net value | Net value |
| Land | — | $ 19,058 | $ — | $ 19,058 | $ 18,060 |
| Dredging | 2.5% | 15,633 | 11,810 | 3,823 | 3,787 |
| Berthing structures | 2.5% | 58,521 | 36,559 | 21,962 | 22,887 |
| Buildings | 2.5%-10% | 60,504 | 27,677 | 32,827 | 33,418 |
| Utilities | 3.3%-10% | 13,698 | 6,172 | 7,526 | 6,781 |
| Roads and surfaces | 2.5%-10% | 30,681 | 10,306 | 20,375 | 18,694 |
| Machinery and equipment | 5%-20% | 41,739 | 28,212 | 13,527 | 14,625 |
| Office furniture and equipment | 20% | 1,405 | 838 | 567 | 248 |
| | | 241,239 | 121,574 | 119,665 | 118,500 |
| Projects under construction | | 11,017 | — | 11,017 | 4,933 |
| | | $252,256 | $121,574 | $130,682 | $123,433 |

### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of $652,589 ($792,840 in 1985) and for the current portion of long-term liabilities of $360,576 ($339,365 in 1985).

## 6. Loans from Canada

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000 | $ 7,712 | $ 8,051 |
| Less: Current portion | 361 | 339 |
| | 7,351 | 7,712 |
| Non-interest bearing loans with indefinite due date | 132,995 | 132,995 |
| Accrued interest on loans not due nor payable | 98,162 | 98,162 |
| | $238,508 | $238,869 |

Principal repayment requirements over the next five years amount to:

| | |
|---|---|
| 1987 | $360,576 |
| 1988 | $383,112 |
| 1989 | $407,056 |
| 1990 | $432,497 |
| 1991 | $459,528 |

## 7. Contingencies

Claims aggregating approximately $5,948,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

## 8. Capital Expenditure Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $4,008,000.

## 9. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown Corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

## 10. Contributions to Canada

Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, the Ports Canada network which consists of the Canada Ports Corporation and the six local port corporations, was requested to contribute $133,000,000.

The Montréal Port Corporation's portion amounts to $54,983,000 and it has been charged to the "Contributions to Canada" item.

In accordance with a decision by the Government of Canada, the Corporation is required to issue a dividend, in respect of the 1986 financial year, set at 30% of net income before extraordinary items and payable before March 31, 1987. This dividend amounted to $4,136,000 in 1986 and has been charged to the "Contributions to Canada" item.


## Board of Directors

**Ronald Corey** *
Chairman
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

**Bernard J. Finestone** *
Vice-Chairman
President
Abbey-Finestone Inc.
Westmount, Que.

**Rosaire Archambault**
President
Archambault Musique Inc.
Montréal, Que.

**Roger Bishop**
Member, Local 375
International Longshoremen's Association
Brossard, Que.

**Raphael Esposito**
Esposito, Cocciardi, St-Onge & Beaulieu
Montréal, Que.

**André Gingras**
President
André Gingras & Associés Inc.
Westmount, Que.

**Arnold E. Masters** *
President
Maritime Employers Association
Montréal, Que.

* Members of the Executive Committee

## Officers of the Corporation

**Ronald Corey**
Chairman

**Dominic J. Taddeo**
General Manager and Chief Executive Officer

**Yvan Simard**
Deputy General Manager

**Jean-Pierre Desjardins**
Director of Planning and Development

**Roger Dubé**
Director of Finance and Administration

**Captain Dea Hassib**
Director of Operations

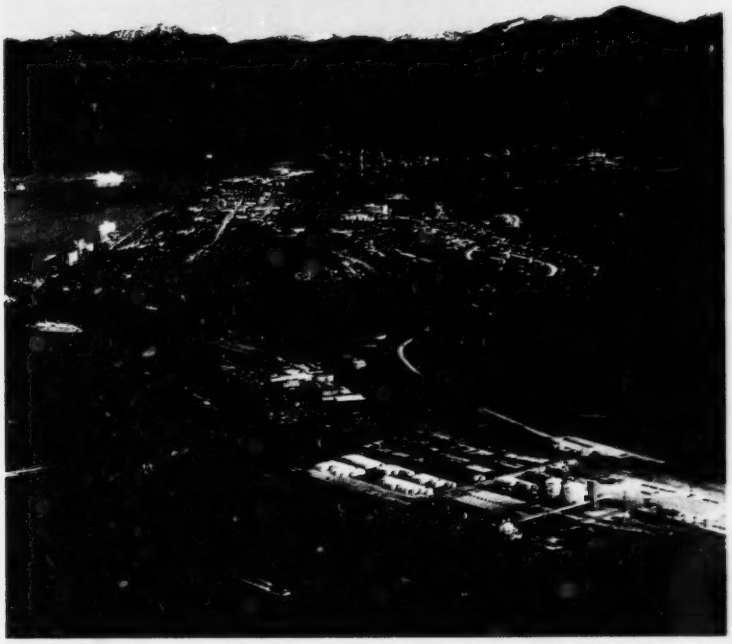
**Jean Mongeau**
Corporate Secretary

**Frank Vannelli**
Director of Marketing

**René Laporte**
Acting Director of Human Resources

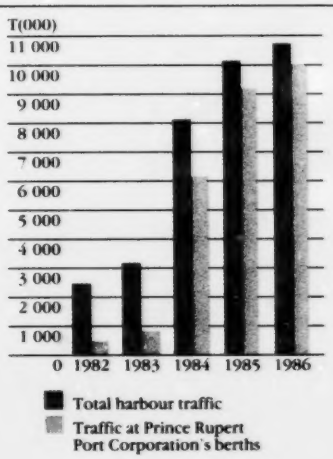
**Roland Miljour**
Acting Director of Police and Security

# Prince Rupert Port Corporation



## Performance Highlights

- Total operating revenues increase by 6% and exceed $11 million for the first time — up to $11.3 million from $10.6 million.
- Total foreign tonnage surpasses 10 million tonnes for the first time — up to 10.3 million from 9.7 million, an increase of 6%.
- With an 11% increase, net income/cash flow reaches a new high of $2.6 million and $3.7 million respectively.
- New grain terminal operational for first full calendar year, shipping a total of 1.9 million tonnes in the year, a new port record for grain.
- Lumber traffic rises by 14% to 566,000 tonnes or 416 million FBM.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Allan T. Sheppard

Robert W. Tytaneck

In 1986, the Port of Prince Rupert set a new level of achievement with the shipment of 10.7 million tonnes of cargo, a 6 percent increase over 1985.

In its first full calendar year of operation, the Prince Rupert Grain Terminal at Ridley Island handled 1.9 million tonnes of grain, a new port record. Numerous operational accomplishments were set which clearly indicate the true potential of that elevator, as company employees continue to set west coast records for both railcar unloading and shiploading.

While coal exports were down moderately in 1986, they still accounted for more than 50 percent of the Corporation's total throughput. Reflecting soft international markets, Ridley Terminals Inc. handled 6.7 million tonnes, down from 7.2 million tonnes in 1985.

It is particularly satisfying to report that for the fifth consecutive year, a new record was established for lumber shipments. Lumber exports over Fairview Terminal jumped to 565,888 tonnes (416 million FBM) from 490,823 tonnes in 1985. This performance was attained despite a province-wide labour dispute within the forest industry.

Other commodities handled at Fairview Terminal included specialty grains, up 15 percent over 1985 levels to 145,617 tonnes and mineral concentrates, up 7 percent to 43,934 tonnes.

The export of raw logs increased 46 percent in 1986, up to 638,617 tonnes from 436,900 tonnes in 1985.

Traffic growth is clearly reflected in the Corporation's favourable financial position. Operating revenues set a new high of $11.3 million as compared to $10.6 million in 1985. The 1986 net income rose to $2.6 million, an increase of 18 percent over 1985. The increasing financial resources of the Corporation help to ensure that the physical facilities needed by our customers will be available on a timely basis.

The traffic and financial results are particularly gratifying as they have occurred at a time when international markets for many of Canada's exports remain mixed. It reinforces the original vision for Prince Rupert as a full scale Pacific gateway for world-wide distribution of Canadian cargo, a gateway that assures Canadian shippers an efficient and effective access to highly competitive international markets.

While 1986 performance was reassuring, the port looks forward with optimism and enthusiasm to the challenge of the future. With major grain and coal installations in place, particular focus is being given to servicing the needs of the forest products sector. This industry, which is crucial to the local, regional, and provincial economies, is undergoing a program of sawmill modernization and new construction in northwest British Columbia that is oriented to the offshore export market. This new capacity is expected to push Fairview Terminal to its operational limits.

In anticipation of the need for additional forest product facilities, Fairview Terminal has been identified as the optimum site for port expansion based on the lowest capital cost and highest throughput capacity. An engineering study recommended a 4-hectare expansion with a 175-metre berth extension that will also provide a further 2.3 hectares of unserviced storage area adjacent to the existing terminal. This area could be extremely useful for future growth in lumber and other traffic. The cost of the expansion is estimated at $33 million.

During 1987, the Corporation will undertake engineering studies for the expansion of Fairview Terminal. The studies will include the geotechnical, topographical, survey and environmental aspects of development. Considerable attention is also being given to detailed traffic analysis to ensure that port development is consistent with the shippers' needs and that the project is financially viable. The development of additional terminal capacity at Fairview Terminal provides crucial support for the international trade prospects of our customers.

Reflecting the commitment of the Board of Directors to fulfilling their trade objectives, the port undertook several new marketing and business development initiatives in 1986.

During the past year, the port added a Manager of Marketing and Planning. For the first time, the port now has a staff person dedicated to market research, business development and facility planning and utilization.

The port undertook its first overseas marketing trip in 1986. A port delegation met with numerous shippers, shipping companies, and other groups in Korea and Japan. Prince Rupert's strategic proximity to these markets and the production centres of northern Asian ports will play an increasingly important role in strengthening and expanding Canada's trade links with the Pacific Rim. At the same time, we are increasing our commitment to domestic customers to ensure that port services remain accessible and competitive.

A highly successful Trade Enhancement Conference in 1986 attracted over 150 delegates to the port. Distinguished speakers, trade experts, and port customers gathered to review the strengths and opportunities of the Port of Prince Rupert.

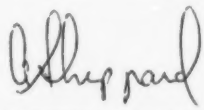
At the same time as the Corporation seeks to improve its international reputation, it considers that an important part of its mandate is to work closely with Prince Rupert and neighbouring communities to ensure that port development is responsive to the commercial and recreational needs of the region.

As part of this process, the port is contributing to areas of regional development that can be enhanced or realized through waterfront development. Projects under study or underway include sites for aquaculture, a light industrial marine park, the airport ferry ramp construction, and a waterfront park.

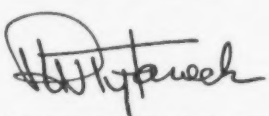
During 1986, a key change in personnel occurred at the port. Mr. Ken Krauter, who was General Manager and Chief Executive Officer for six years, resigned to assume the position of General Manager and Chief Executive Officer at the Saint John Port Corporation. During his tenure, the Prince Rupert Port Corporation experienced a period of strategic development and growth. The Board of Directors would like to thank Mr. Krauter for his dedication and commitment. At the same time, the Board of Directors was pleased to announce the appointment of Mr. R. W. Tytaneck as General Manager and Chief Executive Officer. Mr. Tytaneck brings numerous years of experience in the maritime industry with Crown Corporations.

In conclusion, the Port of Prince Rupert is well positioned to both service existing customers and encourage new traffic. A strong export base, an aggressive and enthusiastic marketing orientation, terminal expansion, and a desire to provide a highly competitive service, will bring benefits to all Canadians and will enhance the ability of importers and exporters to reach their markets.

We would like to express our warmest appreciation and thanks to the port staff, the marine community, and our customers whose commitment, dedication, and teamwork made 1986 a successful year. We look forward to an exciting and prosperous future.



Chairman of the Board



General Manager and Chief Executive Officer

## Auditors' Report

The Honourable John C. Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

Thorne Ernst & Whinney

Chartered Accountants

Vancouver, Canada
February 5, 1987

## Balance Sheet as at December 31, 1986

| **Assets** | **1986** | 1985 |
|---|---|---|
| Current Assets | | |
| Cash | **$ 63,752** | $ 87,341 |
| Investments (note 1) | **7,879,580** | 7,202,309 |
| Accounts receivable | **566,284** | 630,199 |
| Due from Canada | **63,937** | — |
| Materials and supplies | **79,928** | 88,092 |
| | **8,653,481** | 8,007,941 |
| Property, Plant and Equipment (note 2) | **72,024,049** | 73,214,955 |
| | **$80,677,530** | $81,222,896 |

| **Liabilities and Deficit of Canada** | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable and accrued liabilities | **$ 177,763** | $ 382,346 |
| Payable to Canada | **—** | 249,190 |
| Grants in lieu of municipal taxes | **351,711** | 495,821 |
| Deferred revenues | **186,251** | 229,263 |
| | **715,725** | 1,356,620 |
| Long-Term Debt | | |
| Loans from Canada (note 3) | **38,110,991** | 38,110,991 |
| Recoverable contribution from Canada (note 4) | **48,300,000** | 49,511,864 |
| | **86,410,991** | 87,622,855 |
| | **87,126,716** | 88,979,475 |
| Deficit of Canada | | |
| Contributed capital (note 5) | **678,275** | 678,275 |
| Contribution to Canada (note 5) | **(1,289,136)** | — |
| Deficit | **(5,838,325)** | (8,434,854) |
| | **(6,449,186)** | (7,756,579) |
| | **$80,677,530** | $81,222,896 |

Approved by the Board:

Allan T. Sheppard
Chairman

Robert W. Tytaneck
General Manager and Chief Executive Officer

## Statement of Income and Deficit

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Revenue from operations | $11,314,851 | $10,622,368 |
| Expenses | | |
| Operating and administrative | 7,845,088 | 7,771,561 |
| Depreciation (note 2) | 1,244,666 | 918,496 |
| Grants in lieu of municipal taxes | 335,353 | 27,661 |
| | 9,425,107 | 8,717,718 |
| Income from operations | 1,889,744 | 1,904,650 |
| Interest income | 591,603 | 655,246 |
| Gain (loss) on disposal of property, plant and equipment | 115,182 | (359,024) |
| Net income | 2,596,529 | 2,200,872 |
| Deficit at beginning of year | 8,434,854 | 10,635,726 |
| Deficit at end of year | $ 5,838,325 | $ 8,434,854 |

## Statement of Changes in Financial Position

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Cash provided by (used for): | | |
| Operations | | |
| Net income | $2,596,529 | $2,200,872 |
| Items not involving cash | | |
| Depreciation | 1,244,666 | 918,496 |
| (Gain) loss on sale of property, plant and equipment | (115,182) | 359,024 |
| | 3,726,013 | 3,478,392 |
| Changes in non-cash components of working capital | | |
| Accounts receivable | 63,915 | (18,884) |
| Materials and supplies | 8,164 | (14,622) |
| Accounts payable and accrued liabilities | (204,583) | (234,269) |
| Grants in lieu of municipal taxes | (144,110) | (468,001) |
| Deferred revenues | (43,012) | (114,678) |
| | 3,406,387 | 2,627,938 |
| Financing activities | | |
| Increase (decrease) in payable to Canada | (249,190) | 249,190 |
| Contribution to Canada | (1,289,136) | — |
| Increase in receivable from Canada | (63,937) | — |
| Recoverable contribution from Canada | (1,211,864) | (64) |
| | (2,814,127) | 249,126 |
| Investment activities | | |
| Proceeds from sale of property, plant and equipment | 119,300 | 232 |
| Purchase of property, plant and equipment (net of capital grants) | (57,878) | (1,573,365) |
| Decrease in receivable from Canada | — | 82,839 |
| | 61,422 | (1,490,294) |
| Increase in cash position | 653,682 | 1,386,770 |
| Cash position at beginning of year | 7,289,650 | 5,902,880 |
| Cash position at end of year | $7,943,332 | $7,289,650 |

(Cash position is defined to include cash plus investments)

## Notes to Financial Statements

for the year ended December 31, 1986

### Local Port Corporation

The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of the Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by the Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

### Summary of Significant Accounting Policies

a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property, plant and equipment.

Depreciation is calculated on the straight-line basis using rates based on the estimated useful lives of the assets.

c) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Grants in Lieu of Municipal Taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee Benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

### 1. Investments

| | 1986 | 1985 |
|---|---|---|
| Amortized cost | **$7,879,580** | $7,202,309 |
| Market value | **$7,855,119** | $7,188,651 |

### 2. Property, Plant and Equipment

a) Summary

| | | 1986 | | | 1985 |
|---|---|---|---|---|---|
| | Depreciation Rates % | Cost | Accumulated Depreciation | Net | Net |
| Land | — | **$60,126,625** | — | **$60,126,625** | $60,159,561 |
| Dredging | 2.5-6.7 | **5,177** | **$ 1,165** | **4,012** | 4,141 |
| Berthing structures | 2.5-10 | **8,693,098** | **2,536,244** | **6,156,854** | 6,395,465 |
| Buildings | 2.5-10 | **2,351,656** | **334,209** | **2,017,447** | 2,085,123 |
| Utilities | 3.3-10 | **2,597,236** | **1,079,916** | **1,517,320** | 1,643,819 |
| Roads and surfaces | 2.5-10 | **3,512,387** | **1,640,261** | **1,872,126** | 2,240,684 |
| Machinery and equipment | 5-10 | **1,697,883** | **1,427,298** | **270,585** | 627,103 |
| Office furniture and equipment | 20 | **150,041** | **90,961** | **59,080** | 59,059 |
| | | **$79,134,103** | **$7,110,054** | **$72,024,049** | $73,214,955 |

b) Depreciation

Depreciation consists of:

| | 1986 | 1985 |
|---|---|---|
| Depreciation expense | **$ 926,760** | $918,496 |
| Writedown of equipment | **317,906** | — |
| | **$1,244,666** | $918,496 |

### 3. Loans from Canada

| | 1986 | 1985 |
|---|---|---|
| Non-interest bearing loans with indefinite due date | **$27,084,979** | $27,084,979 |
| Accrued interest on loans not due and payable | **11,026,012** | 11,026,012 |
| | **$38,110,991** | $38,110,991 |

### 4. Recoverable Contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1986 was $48,300,000.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge.

### 5. Contribution to Canada

Canada requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada System made up of the Canada Ports Corporation and the six local port corporations.

The Corporation's share was in the amount of $2,501,000. A sum of $1,211,864 has been applied against Recoverable Contribution from Canada as authorized by the Minister of Transport. The balance of $1,289,136 has been treated as a Contribution to Canada.

### 6. Related Party Transactions

a) During the year ended December 31, 1986, the Corporation received revenue of $1,169,454 (year ended December 31, 1985, $1,250,370) from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment.

b) During the year the Corporation paid $436,093 (year ended December 31, 1985, $521,297) to Canada Ports Corporation as its share of that corporation's head office expense.


### Board of Directors

**Allan T. Sheppard***
Chairman
Owner/Manager
Port Edward Marine Services
Prince Rupert, B. C.

**William B. Hick***
Vice-Chairman
Retired Medical Doctor
Prince Rupert, B. C.

**John T. Payne*/****
General Manager
Universal Stores Inc.
Prince Rupert, B. C.

**John D. McNish****
Manager
Credit Bureau of Prince Rupert
Prince Rupert, B. C.

**Dolores D. MacIntosh**
Property Manager
Prince Rupert, B. C.

**Donald Seidel**
Manager
Prince Rupert Motors Ltd.
Prince Rupert, B. C.

* Executive Committee
** Audit Committee

### Officers of the Corporation

**Allan T. Sheppard**
Chairman

**Robert W. Tytaneck**
General Manager and Chief Executive Officer

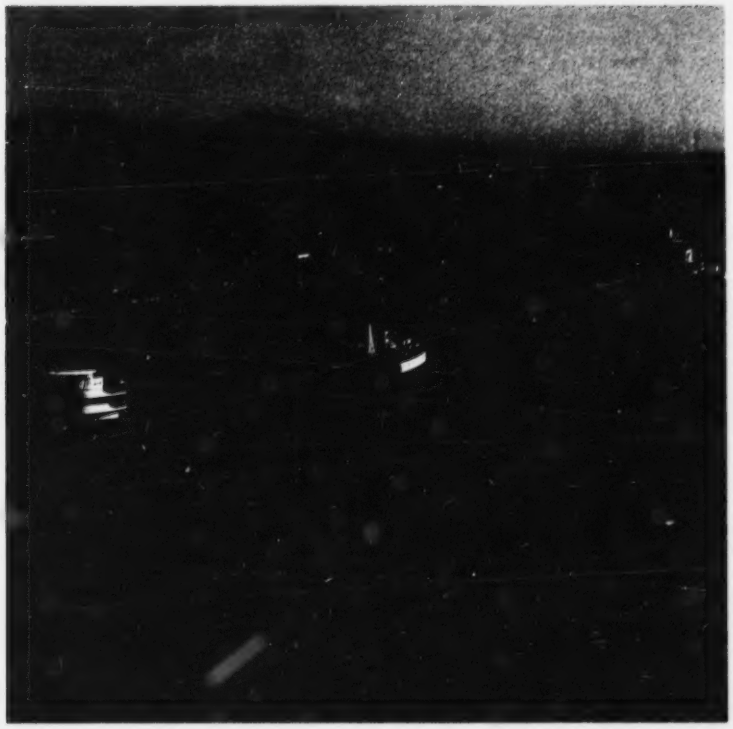
**R. Adam McBride**
Manager, Finance and Administration

**Joseph A. Stranan**
Manager, Marketing and Planning

**Brian L. Denton**
Manager, Engineering and Maintenance

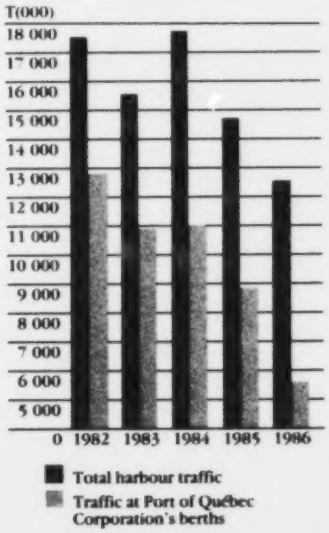
**Captain Michael Gray**
Manager, Operations/Harbour Master

# Port of Québec Corporation



**Performance Highlights**

- Former Minister of Transport, the Honourable Don Mazankowski, presided at the inauguration of an 11,200 square metre general cargo shed.
- The Port of Québec signed a declaration of cooperation with the French ports of Le Havre, Rouen, and Honfleur; it was the first port in eastern Canada to sign such an agreement.
- Intertank Inc. invested $1 million to improve rail access to its liquid bulk terminal.
- Ultramar of Canada increased activity at the pier serving its refinery in St. Romuald.
- A record number of 70 cruise ships called at the port.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Ross Gaudreault

Jean-Michel Tessier

Quebec has been a city with a maritime vocation since the beginning of European colonization in the 17th century. The fur, lumber and ship building trades are all reminders of the Port of Québec's historic role in the economic growth of the region and the country as a whole.

The Board of Directors and management of the Port of Québec Corporation are proud to continue this tradition by developing a port of international stature, capable of receiving LR2 oil tankers, fourth-generation container vessels and most of the world's large bulk carriers.

The Port of Québec offers considerable advantages to shippers of bulk products; it is a focal point, providing access to or from the major industrial and agricultural regions in North America via the Great Lakes/ St. Lawrence Seaway. Deepwater, year-round navigation, and the presence of intermodal transportation all increase the port's efficiency.

The port administration firmly believes that a dynamic international marketing strategy is the key to future growth in trade. For this reason, the Port of Québec signed a declaration of cooperation in 1986 with the French ports of Le Havre, Rouen and Honfleur. This agreement, a first among ports in eastern Canada, will encourage new trade and the exchange of technical information between the participants. The ports of the Lower Seine serve one of the most heavily populated, industrialized regions of Europe, handling approximately 75 million tonnes of cargo annually.

### Traffic Review

No review of 1986 can be made without mentioning the new collective agreement between the Maritime Employers Association and the International Longshoremen's Association, signed February 4, 1987, ending a long work stoppage caused by the breakdown in negotiations between employer and union on September 16, 1986.

In effect until December 31, 1988, the agreement ensures the port's clients and users of competitive labour costs and more flexible loading and unloading operations, in addition to a stable work environment.

The 1986 results for the Port of Québec reveal the full impact of the lock-out, which distorted year-end statistics; until the lock-out began, an upturn in the volume of several commodities, including grain, would have enabled the port to surpass overall tonnage handled in 1985.

The labour dispute caused a major decline in port traffic in the final quarter of 1986. A total of 12,527,000 tonnes of cargo were handled at the Port of Québec in 1986, down 15 percent from 14,713,000 tonnes in 1985.

Most major sectors of activity were affected by the work stoppage. The volume of grain handled for the year was 5,101,000 tonnes, a 39 percent drop from the 5,103,000 tonnes in 1985. Transshipment of mineral concentrates fell from 2,561,000 tonnes in 1985 to 1,491,000 tonnes in 1986. Pulpwood was a bright spot in the dry bulk category, as Reed Paper Co. received 540,000 tonnes of logs by waterborne transportation in 1986, compared to 348,000 tonnes in 1985.

A 14 percent increase in the volume of petrochemical products also enabled the port to offset the general decline in traffic. This type of cargo amounted to 7,033,000 tonnes in 1986, up from 6,177,000 tonnes in 1985. Ultramar of Canada intensified activity at the pier serving its refinery in St. Romuald, a suburb of Québec City, following the acquisition of Gulf Canada and its network of service stations in eastern Canada.

Also in the liquid bulk category, Intertank Inc. invested one million dollars in improving rail access to its Beauport terminal. This company specializes in the handling of a wide range of chemicals and vegetable oils, and is now able to receive a 56-car unit train entirely on its own tracks, thus protecting its operations from the physical restrictions of the main railway network.

The labour conflict had a negative effect on general cargo, including dairy products and lumber. A total of 206,000 tonnes of general cargo were handled in 1986, down from 351,000 tonnes in 1985. Note that the Department of National Defence selected the Port of Québec to handle the shipment of over 2,100 pieces of military equipment to Norway, as part of the largest deployment of Canadian troops since World War II.

### Financial Highlights

Financial results for the Port of Québec Corporation in 1986 show operating revenues of $7,963,000, total net income of $14,000 and capital expenditures of $2,178,000. Although port activities came to a virtual halt for 107 days in 1986, the Port of Québec succeeded in showing a profit thanks to sound financial management, which included reduction of permanent staff, temporary lay-offs during the lock-out and the general rationalization of expenditures.

The signing of collective agreements with office employees of the Public Service Alliance of Canada and police officers in the Canadian Union of Public Employees will help stabilize the Port of Québec's labour costs; these agreements will remain in effect until 1988.

In 1986, the port also completed a two-year, $4.2 million investment project for the construction of an 11,200 square metre shed. The facility, which was inaugurated on February 14, 1986 by the Honourable Don Mazankowski, then Minister of Transport, represents the first phase in the development of a new multi-user cargo terminal. The new shed enables the Port of Québec to better serve shippers of general cargo.

### Traffic Outlook

Under the direction of a new Board of Directors who completed the first full year of their mandate in 1986, the Port of Québec has given priority to its marketing program. This approach will continue and undoubtedly be a key factor in the recovery that follows the longshoremen's return to work.

In spite of the difficult experience of 1986, we are cautiously optimistic about prospects for 1987. In addition to the natural advantages of a deepwater harbour and geographic location, the Port of Québec offers excellent equipment and facilities which will contribute to confirming its lead in the handling of bulk and general cargo.

Full recovery is our objective at the Port of Québec in 1987. The Board of Directors and management of the Port of Québec wish to assure all the port's clients and users of their complete cooperation in developing the full potential of a great port centre, which occupies an important place in Canada's history and will continue to contribute to the growth of our country's international trade.

Chairman of the Board

General Manager and Chief Executive Officer

## Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have been in all significant respects in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and by-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Québec, Quebec
January 30, 1987

## Balance Sheet as at December 31, 1986

| **Assets** | **1986** | 1985 |
|---|---|---|
| Current Assets | | |
| Cash | **$ 297,030** | $ 275,356 |
| Investments (note 1) | **12,160,125** | 33,109,060 |
| Accounts receivable | **1,760,930** | 3,256,021 |
| Materials and supplies | **68,781** | 60,373 |
| | **14,286,866** | 36,700,810 |
| Investments (note 1) | **6,623,856** | 6,597,511 |
| Fixed Assets (note 2) | **44,951,490** | 44,692,982 |
| | **$65,862,212** | $87,991,303 |

| **Liabilities and Equity of Canada** | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable and accrued liabilities | **$ 2,050,841** | $ 2,486,742 |
| Grants in lieu of municipal taxes | **654,808** | 502,000 |
| Deferred revenues | **659,865** | 731,068 |
| | **3,365,514** | 3,719,810 |
| Long Term | | |
| Accrued employee benefits | **737,500** | 791,000 |
| Equity of Canada | | |
| Contributed capital | **107,251,631** | 107,251,631 |
| Contribution to Canada (note 3) | **(21,735,000)** | — |
| Deficit | **(23,757,433)** | (23,771,138) |
| | **61,759,198** | 83,480,493 |
| | **$65,862,212** | $87,991,303 |

On behalf of the Board:

Ross Gaudreault
Chairman

Jean-Michel Tessier
General Manager and Chief Executive Officer

## Statement of Income and Deficit

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Revenue from operations | $ 7,962,545 | $ 9,405,701 |
| Expenses | | |
| Operating and administrative expenses | 7,429,521 | 7,112,126 |
| Depreciation | 1,912,453 | 1,721,120 |
| Grants in lieu of municipal taxes | 1,024,639 | 1,016,136 |
| | 10,366,613 | 9,849,382 |
| Loss from operations | (2,404,068) | (443,681) |
| Investment income | 2,417,773 | 4,250,641 |
| Net income | 13,705 | 3,806,960 |
| Deficit at beginning of year | 23,771,138 | 27,578,098 |
| Deficit at end of year | $23,757,433 | $23,771,138 |

## Statement of Changes in Financial Position

| for the year ended December 31, 1986 | 1986 | 1985 |
|---|---|---|
| Cash provided by (used for) | | |
| Operations | | |
| Net income | $ 13,705 | $ 3,806,960 |
| Items not affecting cash | | |
| Amortization of discount on Canada Government bonds | (26,345) | (26,345) |
| Depreciation | 1,912,453 | 1,721,120 |
| Gain on disposal of fixed assets | (105,184) | (46,947) |
| Accrued employee benefits | (53,500) | 51,300 |
| Changes in non-cash components of working capital | 1,132,387 | 2,719,934 |
| | 2,873,516 | 8,226,022 |
| Investment | | |
| Additions to fixed assets | (2,178,038) | (5,384,700) |
| Proceeds on disposal of fixed assets | 112,261 | 49,234 |
| | (2,065,777) | (5,335,466) |
| Other | | |
| Contribution to Canada | (21,735,000) | — |
| Increase (decrease) in cash position | (20,927,261) | 2,890,556 |
| Cash position at beginning of year | 33,384,416 | 30,493,860 |
| Cash position at end of year | $12,457,155 | $33,384,416 |
| Represented by: | | |
| Cash | $ 297,030 | $ 275,356 |
| Investments | 12,160,125 | 33,109,060 |
| | $12,457,155 | $33,384,416 |

## Notes to Financial Statements

for the year ended December 31, 1986

### General

The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the Canada Ports Corporation Act.

### Summary of Significant Accounting Policies

a) Investments
Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated using the straight line method, once the asset becomes operational for an entire year, using the following annual rates:

| | |
|---|---|
| Dredging | 2.5%-6.7% |
| Berthing structures | 2.5%-10% |
| Buildings | 2.5%-10% |
| Utilities | 3.3%-10% |
| Roads and surfaces | 2.5%-10% |
| Machinery and equipment | 5%-100% |
| Office furniture and equipment | 20% |

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these claims are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
Every year the Corporation accounts for estimated liabilities relating to severance pay, annual leave, sick leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

### 1. Investments

Investments, which are direct securities guaranteed by Canada, are as follow:

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | **Cost** | **Market Value** | Cost | Market Value |
| Current | **$12,160,125** | **$12,166,576** | $33,109,060 | $33,101,895 |
| Long term | **$ 6,623,856** | **$ 7,860,139** | $ 6,597,511 | $ 7,387,483 |

### 2. Fixed Assets

| | 1986 | | | 1985 |
|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Net** | Net |
| Land | **$11,043,597** | **$ —** | **$11,043,597** | $11,043,597 |
| Dredging | **4,561,341** | **3,895,186** | **666,155** | 694,216 |
| Berthing structures | **22,636,930** | **15,867,910** | **6,769,020** | 6,704,977 |
| Buildings | **33,600,707** | **12,836,618** | **20,764,089** | 16,570,175 |
| Utilities | **3,427,705** | **1,876,360** | **1,551,345** | 1,649,523 |
| Roads and surfaces | **5,848,340** | **2,833,369** | **3,014,971** | 3,373,861 |
| Machinery and equipment | **499,355** | **384,448** | **114,907** | 138,802 |
| Office furniture and equipment | **443,006** | **232,517** | **210,489** | 168,750 |
| Projects under construction | **816,917** | **—** | **816,917** | 4,349,081 |
| | **$82,877,898** | **$37,926,408** | **$44,951,490** | $44,692,982 |

As at December 31, 1986, contractual obligations for the completion, construction and purchase of fixed assets are estimated at $39,000, most of which will be expended in the year ending December 31, 1987.

**3. Contribution to Canada**
The Government of Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from Canada Ports Corporation and the six local port corporations.

The Corporation's share amounted to $21,735,000 and has been recorded as contribution to Canada in the equity of Canada.

**4. Contingencies**
Claims aggregating approximately $2,660,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. These amounts are not recorded in the financial statements. In the Corporation's view, its position is defensible and these claims should not result in any material financial liability.

**5. Operations**
The operations of the Corporation have been reduced due to a lock-out by the Association des Employeurs Maritimes on September 15, 1986. Operations resumed on February 6, 1987.

**Board of Directors**

**Ross Gaudreault** *
Chairman
General Manager
Irving Oil Limited
Province of Quebec
Sillery, Que.

**The Honourable Jean Marchand** *
Vice-Chairman
Québec, Que.

**Denise Rancourt-Bélanger**
Lawyer
Lévis, Que.

**Yvon Dolbec**
President
Y. Dolbec Logistique International Inc.
Sainte-Foy, Que.

**Claude Gagné**
Sales Representative
Toshiba of Canada Ltd.
Vanier, Que.

**Raymond Stuart McBain***
President
Ver-Mac Inc.
Sainte-Foy, Que.

**Roméo Savard**
Foreman
International Longshoremen's Association
Québec, Que.

**Officers of the Corporation**

**Ross Gaudreault**
Chairman

**Jean-Michel Tessier** *
General Manager and Chief Executive Officer

**Gary Q. Ouellet**
Corporate Secretary

**Louis-Philippe Cormier**
Executive Assistant and Associate Corporate Secretary

**Gérard Laroche**
Director, Commercial Affairs and Marketing

**Yvon Bureau**
Director, Administration and Human Resources

**Lauréat Mercier**
Controller of the Corporation

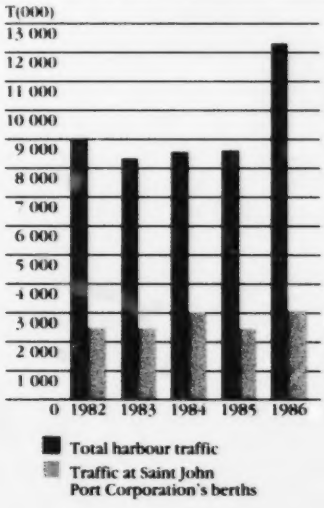
**Serge Tremblay**
Director, Port Services

* Member, Executive Committee

# Saint John Port Corporation

## Performance Highlights

- LPC status granted effective December 31, 1986.
- Potash tonnage shipped through port increases 260% to 1 million tonnes.
- Province of New Brunswick announced $380,000 support for port promotion.
- Total harbour tonnage jumps 42% to 12.3 million tonnes.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Harry P. Gaunce

Kenneth R. Krauter

The history of the Port of Saint John has been one of struggle and achievement for over two hundred years. Its safe harbour and access to the interior via the extensive St. John River system have provided for its rise from a small trading post in the wilderness to a major seaport. The people of this port city, early Acadians, founding Loyalists and Irish immigrants, have worked with pride and perseverance to build a prominent port. Early trade flourished and Saint John prospered as a ship building community in the mid-19th century. Set backs such as the Great Fire of 1877 were overcome and great days of sail gave way to the advent of steam powered ships and inland railways. Factories, foundries and refineries diversified economic activity in the city, and through the twentieth century, the port experienced growth and development through the construction of new facilities and expanding trade. Today, the port handles all types of cargo including bulk, break-bulk and container traffic. Throughout its history, the people of Saint John have worked courageously to develop a major port on the Bay of Fundy, and the ambitions of her founders are alive in the people today.

The year 1986 was marked by a number of important developments for the port. The most significant event was the creation of the Saint John Port Corporation; the new Corporation came into effect at the close of business on December 31, 1986. With the achievement of local port corporation status under the provisions of the Canada Ports Corporation Act, the port will be operated under the direction of a local Board of Directors, and it will have a high degree of autonomy to manage its own affairs. The Port of Saint John now takes its fitting place among the major ports in Canada, and it has been provided with the opportunity to grow and prosper in support of Canada's international trade.

Other events of 1986 are assisting the port in improving its competitive position and in expanding its marketing and promotion efforts. A $3 million dredging program for the main approach channel and Courtenay Bay will significantly improve vessel access by returning the channel to charted depths. Federal and provincial funding in the order of $100,000 for the development of a port marketing plan will provide new strategic direction and identify market opportunities. Up to $380,000 will be made available by the New Brunswick provincial government to the Saint John Port Development Commission to expand port promotion programs.

Significant increases were experienced in overall port traffic in 1986. Total traffic was up 42 percent to 12.3 million tonnes. Petroleum products, principally crude oil imports, accounted for 73 percent of the tonnage with an increase of 50 percent to 9 million tonnes. Shipments through the Barrack Point Potash Terminal reached the 1 million tonne level as a second user began operations. Strong growth occurred in forest products with traffic improving by 18 percent to 750,000 tonnes, principally through increased shipments of woodpulp, lumber, paper and paper board. Grain traffic increased by 50 percent to levels commonly experienced in previous years with the export of 298,000 tonnes through the elevator. Salt, which is mined in association with the potash operations, showed a decline of 10 percent to 203,000 tonnes. Tonnage of other bulk commodities continued at 1985 levels while declines were recorded in general cargo.

Unfortunately, the port experienced a serious decline in its container business in 1986. A number of shipping lines decided to drop Saint John as a port of call due to competitive requirements to adjust their service to international markets. Container traffic dropped by 33 percent to 546,000 tonnes. As several of the lines called at Saint John for a portion of the year, the effect of these changes in service may not be fully felt until 1987. However, the port is actively working at securing other lines to call at Saint John.

Marginal improvement was made in the financial performance of the port. Revenues from operations increased by 2 percent to $11.5 million, and an 8 percent increase was realized in income from operations at $1 million. However, interest expense of $3.3 million on outstanding loans contributed to a net loss of $0.9 million. Restructuring of the port's debt in the latter part of 1986 has improved the overall financial outlook for the port, and retiring the debt load from the future earnings of the Corporation can be achieved with sound financial management.

To maintain the serviceability of port facilities, repair work on the reinforced concrete pilings at the Rodney Container Terminal continued through the year in the amount of $520,000. The overall cost of this repair program which is expected to be completed in 1988 is $4,250,000. Other concrete repair work was undertaken to the facings of a number of berths at a cost of $250,000. In addition, modifications were made to the wharf and bulkhead areas at two berths to accommodate ro-ro vessels.

The New Brunswick Electric Power Commission is currently investigating the feasibility of converting the Coleson Cove Generating Station from residual oil to coal as a generating fuel. Delivery of coal to the plant would be via a new coal import terminal constructed by the port at Musquash Harbour. Design work is nearing completion and the project schedule indicates construction to begin in 1987 if the Commission decides to proceed with the plant conversion. The project offers an opportunity to diversify the traffic base of the port and provide significant benefits to the local economy.

Changes are occurring in the competitive environment in which the port operates. Transportation deregulation and intermodalism as well as changes in world trading patterns will play a part in shaping the future of the Port of Saint John. The challenges of the future require that all sectors of the port community join together in a renewed effort to achieve the prominence and prosperity which was the dream of the founders of this port city.

The achievements of the Port of Saint John are the results of the efforts of many people and organizations. On behalf of the Board of Directors we would like to express our sincere gratitude to all employees of the Corporation for their dedicated service. To our colleagues in the shipping industry, waterfront union leaders and all port users we offer our thanks for their contribution to the accomplishments of the Port of Saint John in 1986.

Harry P. Gaunce

Chairman of the Board

K. R. Krauter

General Manager and Chief Executive Officer

## Auditors' Report

To the Board of Directors
Saint John Port Corporation

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1986. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this balance sheet presents fairly the financial position of the Corporation as at December 31, 1986 in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 18, 1987

## Balance Sheet as at December 31, 1986

(in thousands of dollars)

| | |
|---|---|
| **Assets** | |
| Current | |
| Cash | $ 88 |
| Investments (Note 3) | 4,845 |
| Accounts receivable | 2,070 |
| Materials and supplies | 129 |
| | 7,132 |
| Long-term investments (Note 3) | 949 |
| Fixed assets (Note 4) | 84,368 |
| | $92,449 |
| **Liabilities** | |
| Current | |
| Accounts payable and accrued liabilities (Note 5) | $ 1,959 |
| Grants in lieu of municipal taxes | 549 |
| | 2,508 |
| Long-term | |
| Accrued employee benefits | 483 |
| Financing provided by a province (Note 6) | 19,521 |
| Loans from Canada (Note 7) | 68,356 |
| | 88,360 |
| **Equity of Canada** | |
| Contributed capital | 79,209 |
| Contribution to Canada (Note 8) | ( 1,033) |
| Deficit | (76,595) |
| | 1,581 |
| | $92,449 |

On behalf of the Board:

Harry P. Gaunce
Chairman

K. R. Krauter

Kenneth R. Krauter
General Manager and Chief Executive Officer

## Notes to Balance Sheet

December 31, 1986

### 1. Canada Ports Corporation Act

In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was established effective at the closing of business on December 31, 1986.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

### 2. Significant Accounting Policies

a) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

### 3. Investments

Investments are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)

| | Amortized Cost | Market Value |
|---|---|---|
| Current | $4,845 | $4,849 |
| Long-term | $ 949 | $1,159 |

### 4. Fixed Assets

a) Summary

(in thousands of dollars)

| | Depreciation Rates (%) | Cost | Accumulated Depreciation | Net |
|---|---|---|---|---|
| Land | — | $ 30,063 | $ — | $30,063 |
| Dredging | 2.5-6.7 | 1,967 | 1,442 | 525 |
| Berthing structures | 2.5-10 | 62,918 | 24,930 | 37,988 |
| Buildings | 2.5-10 | 15,570 | 7,204 | 8,366 |
| Utilities | 3.3-10 | 7,651 | 2,752 | 4,899 |
| Roads and surfaces | 2.5-10 | 4,779 | 3,584 | 1,195 |
| Machinery and equipment | 5-100 | 1,904 | 1,567 | 337 |
| Office furniture and equipment | 20 | 711 | 396 | 315 |
| Works under construction | — | 680 | — | 680 |
| | | $126,243 | $41,875 | $84,368 |

b) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $87,000, of which most will be expended in the year ending December 31, 1987.

### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following:

(in thousands of dollars)

| | |
|---|---|
| Deferred revenues | $217 |
| Current portion of long-term liabilities | $175 |

### 6. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1986 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would increase further by an estimated $825,000.

### 7. Loans from Canada

(in thousands of dollars)

| | |
|---|---|
| Term loans bearing interest at 11.0% to 15.625% maturing between December 31, 1998 and 2005 | $20,565 |
| Non-interest bearing loans with indefinite due date | 37,768 |
| Accrued interest on loans not due and payable | 10,023 |
| | $68,356 |

### 8. Contribution to Canada

Canada requested from various Crown Corporations a portion of cash identified as surplus to their requirements. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the seven Local Port Corporations.

The contribution of the Corporation amounted to $1,033,000 and has been treated as a Contribution to Canada.


### Board of Directors

**Harry P. Gaunce**
Chairman
Vice-President
Armstrong & Bruce Insurance
Saint John, N. B.

**Henry Meinhardt**
Vice-Chairman
President
Fundy Ventilation Limited
Saint John, N. B.

**Fernand H. Lanteigne**
Owner/General Manager
Les Chantiers Nord-Est Ltée
Société du câble de la Péninsule
Caraquet, N.B.

**Edgar R. Cohen**
Owner
Hoffman's Limited
Saint John, N. B.

**David R. MacPherson**
President and Business Manager
IBEW, Local 502
Saint John, N. B.

**Joseph V. Streeter**
Investment Dealer
Dominion Securities Inc.
Saint John, N. B.

**Shirley A. McAlary**
Agent
Air Canada
Saint John, N. B.

### Officers of the Corporation

**Harry P. Gaunce**
Chairman

**Kenneth R. Krauter**
General Manager and Chief Executive Officer

**Captain Cy E. Pringle**
Director of Operations and Harbour Master
Acting Director of Finance and Administration

**Garnet A. Phinney**
Director of Engineering and Maintenance

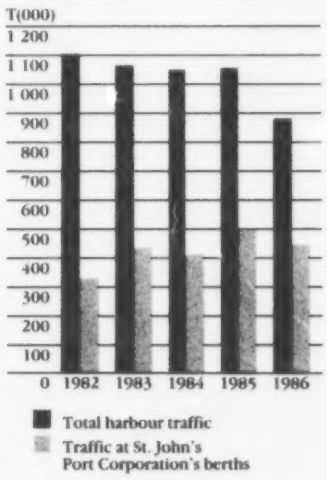
**Emlen G. Hare**
Director of Marketing

**Robert T. Colpitts**
Manager, Corporate Communications

# St. John's Port Corporation

**Performance Highlights**

- 1,103 vessels with a total gross registered tonnage of 2.8 million called at the port in 1986.
- St. John's Port Corporation facilities handled 436,011 tonnes of cargo.
- Containerized tonnage at St. John's Port Corporation facilities was 251,381 tonnes, a total of 47,538 TEUs.
- Main Terminal Redevelopment, Phase I, was completed; expenditure to date: $3.3 million.
- Lease agreement signed between St. John's Port Corporation and Newterm Limited for 6 hectare container handling facility.



## Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Fred Milley

David J. Fox

Activity in the Port of St. John's showed a substantial decrease during the 1986 operating year. This decline had a negative impact on the overall general economy of St. John's and the eastern region of Newfoundland. The decrease was the result of reduced offshore oil exploration activity and the closing of the eastern Canadian ports to some members of the international fishing community; namely, the Spanish and Portuguese fishing fleets.

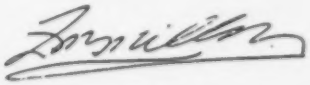
Operating revenues were down from $2.43 million in 1985 to $2.38 million in 1986; while net income was $508,000 compared to $1.2 million in 1985. Total port cargo tonnage was 172,000 tonnes below the 1 million tonnage mark for the first time in over seven years. Commercial vessel traffic entering the port was down by some 28 percent at 1,103 vessel arrivals in 1986. Offshore oil vessel activity decreased from 629 arrivals in 1985 to 324 arrivals in 1986; a decrease of 48.4 percent.

Offshore oil development and activity are not expected to increase in 1987 as no formal agreement has yet been executed between the two levels of government and Mobil Oil Limited. Indications are that due to the world economy, in particular, and the international oil industry in general, actual development and operational activities of Hibernia and other known oil fields in our region will not come on stream until 1993 or later.

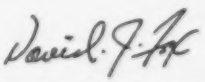
On a more positive note, the Corporation was successful in renegotiating a long-term lease agreement with Newterm Limited, the operators of the port's main container, ro-ro, and general cargo terminal. As a result, the Corporation will continue with its Phase II Redevelopment plans for the Main Terminal, having recently awarded a $4.1 million construction contract for the resurfacing of its 15-acre Main Terminal area facility, including the removal of an existing 30,000 square foot steel fabricated shed. In addition, a second construction contract will be awarded during this development stage to replace the existing 3,000 feet of wharf fendering system around the Main Terminal's berthing facilities. Both major projects should be completed by mid-1988 at a total Phase II Redevelopment cost of about $7 million.

The port, in 1987, will concentrate on completing these planned redevelopment works as the continued upgrading and operations at our Main Terminal complex are seen to be positive and optimistic steps forward in the overall long-term continuation and development of port facilities for day-to-day customers and users.

The Chairman, Board of Directors, and General Manager take this opportunity to express our sincere gratitude and appreciation to all employees of our Corporation, port companies, agencies, and port users for their collective cooperation in helping to make 1986 as successful a year as possible for the St. John's Port Corporation.



Chairman of the Board



General Manager and Chief Executive Officer

## Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1986, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Chartered Accountants

St. John's, Newfoundland
January 29, 1987

## Balance Sheet as at December 31, 1986

| Assets | 1986 | (Note 10) 1985 |
|---|---|---|
| Current | | |
| Cash | $ 25,118 | $ 2,646 |
| Investments (Note 3) | 2,988,103 | 5,614,056 |
| Accounts receivable | 295,148 | 351,506 |
| | 3,308,369 | 5,968,208 |
| Investments (Note 3) | 949,653 | 946,151 |
| Fixed (Note 4) | 10,139,334 | 9,940,186 |
| | $14,397,356 | $16,854,545 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 280,031 | $ 1,348,692 |
| Grants in lieu of municipal taxes | 100,690 | 57,092 |
| Deferred revenues | 171,418 | 226,184 |
| Current portion of loans from Canada | 56,833 | 51,983 |
| | 608,972 | 1,683,951 |
| Accrued employee benefits | 75,362 | 72,985 |
| Loans from Canada (Note 5) | 1,839,939 | 1,896,773 |
| | 2,524,273 | 3,653,709 |
| **Equity** | | |
| Contributed capital | 11,585,318 | 11,585,318 |
| Contribution to Canada (Note 6) | (1,836,000) | |
| Surplus | 2,123,765 | 1,615,518 |
| | 11,873,083 | 13,200,836 |
| | $14,397,356 | $16,854,545 |
| Contingency (Note 7) | | |
| Commitments (Note 8) | | |

On behalf of the Board:

Fred Milley
Chairman

David J. Fox
General Manager and Chief Executive Officer

## Statement of Income and Surplus

| for the year ended December 31, 1986 | 1986 | (Note 10) 1985 |
|---|---|---|
| Revenue from operations | **$2,388,782** | $1,452,668 |
| Operating and administrative expenses | **1,501,052** | 864,410 |
| Depreciation | **561,936** | 211,044 |
| Grants in lieu of municipal taxes | **68,598** | (60,670) |
| | **2,131,586** | 1,014,784 |
| Income from operations | **257,196** | 437,884 |
| Investment income — net | **251,051** | 313,728 |
| Net income | **508,247** | 751,612 |
| Surplus, beginning of year | **1,615,518** | 863,906 |
| Surplus, end of year | **$2,123,765** | $1,615,518 |

## Statement of Changes in Financial Position

| for the year ended December 31, 1986 | 1986 | (Note 10) 1985 |
|---|---|---|
| Cash provided from (used for) | | |
| Operating activities | | |
| Net income | **$ 508,247** | $ 751,612 |
| Depreciation | **561,936** | 211,044 |
| Other non-cash items | **(958)** | 6,899 |
| | **1,069,225** | 969,555 |
| Changes in | | |
| Accounts receivable | **56,358** | (54,597) |
| Accounts payable and accrued liabilities | **(1,068,661)** | 1,066,200 |
| Grants in lieu of municipal taxes | **43,598** | (60,670) |
| Deferred revenues | **(54,766)** | 74,018 |
| Current portion of loans from Canada | **4,850** | 4,436 |
| | **50,604** | 1,998,942 |
| Financing activities | | |
| Loans from Canada currently payable | **(56,834)** | (51,983) |
| Investing activities | | |
| Purchase of fixed assets | **(766,351)** | (2,020,945) |
| Proceeds on disposal of fixed assets | **5,100** | |
| | **(761,251)** | (2,020,945) |
| Contribution to Canada | **(1,836,000)** | |
| Net cash used | **(2,603,481)** | (73,986) |
| Cash and short term investments, beginning of year | **5,616,702** | 5,690,688 |
| Cash and short term investments, end of year | **$3,013,221** | $5,616,702 |

## Notes to Financial Statements

December 31, 1986

**1.** In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.

### 2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

### 3. Investments

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | **Amortized Cost** | **Face Amount** | Amortized Cost | Face Amount |
| Short term | **$2,988,103** | **$3,042,700** | $5,614,056 | $5,810,600 |
| | **Amortized Cost** | **Market Value** | Amortized Cost | Market Value |
| Long term | **$ 949,653** | **$1,069,337** | $ 946,151 | $1,015,838 |

### 4. Fixed Assets

| | | 1986 | | | 1985 |
|---|---|---|---|---|---|
| | **Depreciation Rate** | **Cost** | **Accumulated Depreciation** | **Net Book Value** | Net Book Value |
| Land | | **$ 3,370,578** | | **$ 3,370,578** | $3,370,578 |
| Berthing structures | **2.5-10%** | **7,888,366** | **$5,076,710** | **2,811,656** | 2,861,729 |
| Buildings | **2.5-10%** | **1,902,865** | **1,366,126** | **536,739** | 624,673 |
| Utilities | **3.3-10%** | **3,100,242** | **520,187** | **2,580,055** | 96,031 |
| Roads and surfaces | **2.5-10%** | **713,084** | **593,551** | **119,533** | 153,834 |
| Machinery and equipment | **5-100%** | **236,027** | **140,859** | **95,168** | 166,202 |
| Office furniture and equipment | **20%** | **110,816** | **66,629** | **44,187** | 35,274 |
| Projects under construction | | **581,418** | | **581,418** | 2,631,865 |
| | | **$17,903,396** | **$7,764,062** | **$10,139,334** | $9,940,186 |

### 5. Loans from Canada

| | 1986 | 1985 |
|---|---|---|
| Loans, 9.33%, maturing in 2000, payable in equal annual instalments of principal and interest of $198,132. The loans are unsecured. | **$1,514,453** | $1,566,437 |
| Principal instalments payable within one year | **56,833** | 51,983 |
| | **1,457,620** | 1,514,454 |
| Accrued interest on loans | **382,319** | 382,319 |
| | **$1,839,939** | $1,896,773 |

Annual principal repayments in each of the next five years are as follows:

| | |
|---|---|
| 1987 | $56,833 |
| 1988 | $62,136 |
| 1989 | $67,933 |
| 1990 | $74,271 |
| 1991 | $81,201 |

### 6. Contribution to Canada

During the year, the Government of Canada requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the local port corporations.

The St. John's Port Corporation's share was in the amount of $1,836,000, which has been treated as a Contribution to Canada.

### 7. Contingent Liability

Claims aggregating approximately $5,000,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

### 8. Commitments

Funds have been committed on capital projects as at the balance sheet date in the amount of $208,183. The full amount is expected to be expended during 1987.

### 9. Subsequent Event

Subsequent to the balance sheet date, funds were committed on capital projects in the amount of $4,077,853. The full amount is expected to be expended during 1987.

### 10. Comparative Figures

The comparative figures presented in these financial statements are for the seven month period ended December 31, 1985.

### Board of Directors

**Fred Milley**
Chairman
St. John's, Nfld.

**Faith Good**
Vice-Chairman
St. John's, Nfld.

**Tom Osborne**
Owner
Tom Osborne Real Estate
St. John's, Nfld.

**Paul Reynolds**
Marketing Representative
Ultramar Canada Inc.
St. John's, Nfld.

**Michael Walsh**
General Chairman
Brotherhood of Railway and Airline Clerks
St. John's, Nfld.

**Dermot Dobbin**
President
BRADCO
St. John's, Nfld.

**Art Puddister**
Manager
Puddister Trading Co. Ltd.
St. John's, Nfld.

### Officers of the Corporation

**Fred Milley**
Chairman

**Faith Good**
Vice-Chairman

**David J. Fox**
General Manager and Chief Executive Officer

**Allan W. Budden**
Manager, Administration

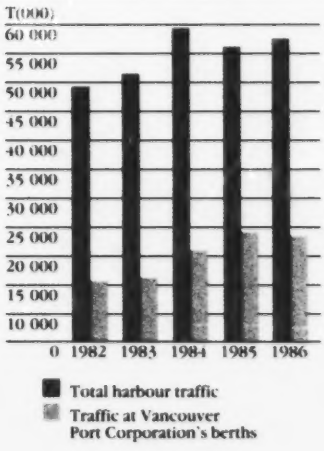
**Charles Gosse**
Manager, Finance

**Keith F. Rose**
Corporate Secretary

# Vancouver Port Corporation

## Performance Highlights

- Total port tonnage increased to 57.6 million tonnes.
- Long-term Terminal Service Contracts signed.
- 25% increase in container traffic; to 222,781 TEUs.
- $27-million Cruise Ship Terminal opens in advance of 17.2% increase in passenger volumes.
- 1986 additions to fixed assets totalled $13.4 million.



## Message from the Chairman of the Board and the Port Manager and Chief Executive Officer

Hector D. Perry

F.J. MacNaughton

### Pacific Gateway for a Trading Nation

The expanded pursuit of world cargo markets emerged as priority one for the Vancouver Port Corporation during 1986.

Enhanced by the international acclaim of Expo, and Vancouver's Centennial, it was an appropriate year to reaffirm the port's historic leadership in the promotion of Canadian trade among the nations of the world.

It was in 1864 that our first deep-sea cargo — B.C. lumber — was exported to Australia. The Port of Vancouver was 22 years old when the City of Vancouver was incorporated. A year later we welcomed our first passenger ship (Abyssinia) from Yokohama and the CPR's first passenger train.

Over the century, the international perspective of city, region, and port has continually expanded; honed by the marketplace of the world's largest ocean, and the nations of six continents. Today, Canada's largest port generates a regional payroll of $1.5 billion, and is sharply focussed on the economic realities of increasing competition and rapid-fire change.

1986 results reflect an operational, administrative, and planning performance geared to market expansion through Canada's Pacific Gateway.

The "two-way payload" potential presented by the growing container business coupled with the port's huge bulk capacity is being aggressively marketed; most particularly on the Pacific Rim; including to that awakening trade giant, China.

### The Financial Performance

Highlights

- Revenues $78.5 million
- Net income $20.6 million
- Capital investment $13.4 million
- Total tonnage 57.6 million tonnes

Achievement was earned in tandem with challenge.

1986 revenues were $78.5 million, which, due to an accounting change as explained in the Notes to the Financial Statement, are substantially less than 1985.

Net income before unusual item was $19.4 million. A decrease from 1985, this result reflects increased operating cost pressures combined with increased depreciation due to capital expenditures. Moreover, the port has not increased its cargo tariff charges since 1984.

In turn, the Corporation's capital improvements programme reinvested some $13.4 million in both new and upgraded facilities. This brings to $63.8 million the total reinvested since our creation as a local port corporation in 1983.

Double-digit gains in general cargo and container categories boosted total throughput to 57.6 million tonnes; an overall increase of 2 percent.

The resource industries of our western provinces again powered Canada's export clout abroad. Coal dominated bulk volumes at 19.1 million tonnes, but decreased due to a prolonged labour dispute within the coal industry and generally static markets. Agriculture tonnages posted a healthy increase at 12 percent, as did forestry — up 15 percent despite their industry shutdown.

Nonetheless, the port shares growing national concern for the ramifications of declining energy markets, countervailing duties on export commodities such as softwood lumber, and foreign grain subsidies.

### The Operational Performance

Highlights

- Best-ever cruise season
- 25% gain in container traffic
- Long-term contracts awarded
- Expanded emphasis on port promotion
- Opening of Harbour Heliport

The opening of the Corporation's $27 million cruise ship terminal heralded our most successful cruise season ever; handling some 313,000 passengers; a 17.2 percent increase over 1985.

Arguably the fastest-growing sector of global tourism, the cruise industry is being vigorously pursued by west coast U.S. cities. The Port of Vancouver intends to maintain its competitive lead; seeking additional lines, and encouraging cooperative marketing initiatives with the 11 lines already committed to this port.

Achievement and challenge also characterized 1986 cargo activity in Vancouver. Benchmark achievement was the awarding of long-term operating contracts for Vancouver Port Corporation's three cargo terminals. Empire Stevedoring, Canadian Stevedoring, and Western Stevedoring now operate Vanterm, Centerm, and Lynnterm respectively.

The 10-year contracts immediately resulted in the operators announcing capital investment projects totalling nearly $20 million. Moreover, contract provisions free the operators to be independently competitive; setting their own tariffs, and long-term arrangements with customers.

Vancouver Port Corporation's own capital programme for terminal improvements included a 6-acre landfill, extended rail trackage, crane rails, and expanded facilities for Centerm, thus providing two first-class container berths, and completion of container facilities at Vanterm's Berth 7.

Two new cranes are provided for in future planning as volumes increase, which will bring the port's handling potential close to half a million TEUs annually.

In this context, it is significant to note that, as a fully self-sustaining Crown Corporation, the Vancouver Port Corporation continues to generate sufficient revenues to ensure prompt reinvestment in needed port facilities, and also to return a fair dividend to its shareholder; namely the Canadian taxpayer.

Vancouver Port Corporation's container traffic increased by 25 percent in 1986; a portent of what's ahead in world shipping as more and more cargoes seek the advantages of containerization.

In counter-point however, is the on-going concern for future prospects presented by the delayed resolution of the container clause. The chronic dispute resulted in lockout action idling the port briefly last fall. The port has publicly encouraged both the BCMEA and the ILWU to formulate an equitable solution that would eliminate the clause.

Indeed, the port believes that elimination of the clause is pivotal to the continued growth of Vancouver as a west coast load centre. Moreover, as shipping technologies and trade patterns change, the Corporation is convinced that only full-service ports will survive as major players in world ocean trade.

Resolution of the issue is expected by June, 1987, when an industrial enquiry ordered by the Minister of Labour submits the report of the Port of Vancouver Container Traffic Commission.

Completion of the management team in 1986 saw the establishment of a Port Promotion Department to beef-up marketing efforts at home and abroad. Dialogue with Canada's national railways was dramatically increased as "intermodal muscle" was identified as a key element in our stiff competition with U.S. ports.

International contacts were expanded in October when VPC hosted Pan Pacific Seminar III, attended by more than 20 ports from 3 continents, including our Sister Ports of Dalian and Yokohama.

On-site construction projects were further evidence of the Corporation's energetic drive to improve services and performance on all fronts. The $4.4 million Main Street overpass and waterfront road was completed, improving traffic flow to the cruise ship terminal and community access to the new waterfront park, a joint project with the City of Vancouver due for completion this spring.

Transport Canada and the Vancouver Port Corporation collaborated on a unique project that created Canada's first floating heliport in the heart of its third largest city. Harbour Heliport is being operated for the port by the private sector.

**The Planning Performance**

Highlights

- 20 + terminals in full-service port
- VPC broadens industry/government consultation
- International perspective essential

And it is the private sector that continues to be the Corporation's most valued partner in the priority pursuit of market share. Most important, of course, are the more than 20 specialized terminals within the port; backed by a skilled waterfront workforce of more than 3,000.

Increased consultation is underway with shipping lines and agents; with importers and exporters; resource producers and trade associations; and with governments at all levels across Canada. The Port of Vancouver's message is explicit — "We want to work with you; we share your objectives; we want your business."

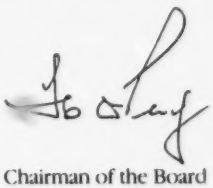
Throughout 1986, it was the vision and skills of our own port people which produced the achievements, recognized the priorities, and anticipated the opportunities for the Corporation.

The Board of Directors has demonstrated both a sensitivity to regional aspirations as well as a strong awareness of customer expectations. Port management and staff have translated this guidance into a team effort evidenced by the year's financial and marketing results.

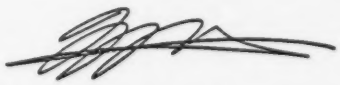
**Pacific Gateway . . . to the Future**

Today, as a local port corporation and member of Ports Canada, Vancouver Port Corporation is a contemporary transport organization acutely aware of its responsibility — and opportunity — to serve the national interest, and the aspirations of all Canadians for economic growth and prosperity.

As our city moves into its second century, and surrounding regions continue to grow, the Port of Vancouver is eager to share its expanding international horizons — and help generate the rich rewards awaiting those who offer excellence to world markets.



Chairman of the Board



Port Manager and Chief Executive Officer

## Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1986 and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Thorne Ernst & Whinney

Chartered Accountants

Vancouver, Canada
February 23, 1987

## Balance Sheet as at December 31, 1986

(in thousands of dollars)

| Assets | 1986 | 1985 |
|---|---|---|
| Current Assets | | |
| Cash | $ 306 | $ 1,087 |
| Investments (note 3) | 39,107 | 36,054 |
| Accounts receivable | 5,170 | 9,488 |
| Materials and supplies | 236 | 778 |
| | 44,819 | 47,407 |
| Investments (note 3) | 46 | 9,472 |
| Long-Term Receivables (note 4) | 7,856 | 8,223 |
| Property and Equipment (note 5) | 184,187 | 177,605 |
| | $236,908 | $242,707 |

| Liabilities and Equity of Canada | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable and accrued liabilities | $ 3,599 | $ 7,892 |
| Grants in lieu of municipal taxes | 5,187 | 3,612 |
| Deferred revenues | 2,781 | 2,834 |
| | 11,567 | 14,338 |
| Accrued Employee Benefits | 1,106 | 1,203 |
| Loans from Canada (note 6) | 108,019 | 108,204 |
| | 120,692 | 123,745 |
| Equity of Canada | | |
| Contributed capital | 7,733 | 7,733 |
| Contribution to Canada (note 9) | (23,331) | — |
| Retained earnings | 131,814 | 111,229 |
| | 116,216 | 118,962 |
| | $236,908 | $242,707 |
| Commitments (note 8) | | |

Approved by the Board:

Hector D. Perry
Chairman

Rodney A. Snow
Director

## Statement of Income and Retained Earnings

(in thousands of dollars)

| | Six Months Ended June 30 | Six Months Ended December 31 | Year Ended December 31 | Year Ended December 31 |
|---|---|---|---|---|
| | **1986** | **1986** | **1986** | 1985 |
| Operating revenue, gross | **$57,105** | **$21,436** | **$ 78,541** | $104,349 |
| Less service contractors | **34,541** | **—** | **34,541** | 63,138 |
| Operating revenue, net (note 7) | **$22,564** | **$21,436** | **44,000** | 41,211 |
| Operating and administrative expenses | | | **18,147** | 16,424 |
| Grants in lieu of municipal taxes | | | **5,097** | 4,265 |
| Depreciation | | | **6,225** | 4,704 |
| | | | **29,469** | 25,393 |
| Income from operations | | | **14,531** | 15,818 |
| Investment income | | | **5,192** | 4,895 |
| Interest expense on loans from Canada | | | **(338)** | (350) |
| | | | **4,854** | 4,545 |
| Income before unusual item | | | **19,385** | 20,363 |
| Adjustment of grants in lieu of municipal taxes | | | **1,200** | — |
| Net income | | | **20,585** | 20,363 |
| Retained earnings at beginning of year | | | **111,229** | 90,866 |
| Retained earnings at end of year | | | **$131,814** | $111,229 |

## Statement of Changes in Cash Resources

(in thousands of dollars)

| for the year ended December 31, 1986 | **1986** | 1985 |
|---|---|---|
| Cash provided by (used for): | | |
| Operations | | |
| Net income | **$20,585** | $20,363 |
| Items not affecting cash | | |
| Depreciation | **6,225** | 4,704 |
| Other | **(1,555)** | 178 |
| Changes in non-cash components of working capital | **2,089** | 1,029 |
| | **27,344** | 26,274 |
| Financing Activities | | |
| Capital grants | **499** | — |
| Loans from Canada currently payable | **(185)** | (173) |
| | **314** | (173) |
| Investment Activities | | |
| Additions to property and equipment | **(13,375)** | (18,815) |
| Reduction to property and equipment on cost recovery | **—** | 3,947 |
| Increase in long-term receivables | **—** | (3,947) |
| Sale of Canada Bonds | **10,897** | — |
| Other | **423** | 336 |
| | **(2,055)** | (18,479) |
| Contribution to Canada (note 9) | **(23,331)** | — |
| Increase in cash resources | **2,272** | 7,622 |
| Cash resources at beginning of year | **37,141** | 29,519 |
| Cash resources at end of year | **$39,413** | $37,141 |

(Cash resources are defined to include cash and investments)

## Notes to Financial Statements

year ended December 31, 1986

### 1. General

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as a Crown Corporation in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and operate the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

### 2. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

a) Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Dredging | 40 years |
| Berthing structures, buildings, roads and surfaces | 10 to 40 years |
| Utilities | 10 to 33 years |
| Machinery and equipment | 1 to 20 years |
| Office furniture and equipment | 5 years |

b) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Although the plan is a defined benefit plan, the contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Insurance

The Corporation assumes substantially all risks against fire and property damage, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

d) Grants in Lieu of Municipal Taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

e) Employee Benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

### 3. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1986 and 1985 the market value of the treasury bills approximated carrying value. Long-term investments are in Government of Canada bonds which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31, 1986 the market value of the bonds was $48,700 (1985, $10,526,300).

### 4. Long-Term Receivables

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Non-interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier | **$3,947** | $3,947 |
| Long-term agreement for sale of No. 1 Elevator, bearing interest at 6⅝% per annum, payable in blended annual instalments of $462,916 maturing December 31, 1996 | **3,309** | 3,537 |
| Less current portion | **(244)** | (228) |
| | **3,065** | 3,309 |
| Long-term agreement for sale of No. 3 Elevator, bearing interest at 5¾% per annum, payable in annual installments of $117,720 plus interest maturing August 1, 1994 | **942** | 1,060 |
| Less current portion | **(118)** | (118) |
| | **824** | 942 |
| Other | **20** | 25 |
| | **$7,856** | $8,223 |

### 5. Property and Equipment

(in thousands of dollars)

| | | | 1986 | 1985 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net | Net |
| Land | **$76,291** | — | **$76,291** | $75,135 |
| Dredging | **366** | **$ 166** | **200** | 150 |
| Berthing structures | **51,251** | **21,937** | **29,314** | 27,621 |
| Buildings | **43,714** | **8,821** | **34,893** | 11,850 |
| Utilities | **12,488** | **4,761** | **7,727** | 6,161 |
| Roads and Surfaces | **29,208** | **13,829** | **15,379** | 12,381 |
| Machinery and equipment | **26,192** | **8,225** | **17,967** | 14,720 |
| Office furniture and equipment | **724** | **567** | **157** | 71 |
| Projects under construction | **2,259** | — | **2,259** | 29,516 |
| | **$242,493** | **$58,306** | **$184,187** | $177,605 |

## 6. Loans from Canada

(in thousands of dollars)

| | 1986 | 1985 |
|---|---|---|
| Interest bearing loan at 7.5% repayable in blended annual instalments maturing December 31, 2000 | $ 4,333 | $ 4,506 |
| Less current portion | (185) | (173) |
| | 4,148 | 4,333 |
| Non-interest bearing loan with an indefinite due date | 76,494 | 76,494 |
| Accrued interest not due and payable | 27,377 | 27,377 |
| | $108,019 | $108,204 |

The non-interest bearing loan and accrued interest not due and payable were transferred to the Corporation by Canada Ports Corporation effective July 1, 1983. This loan replaced an interest bearing loan of the same amount on which interest of $27,377,000 had accrued to December 31, 1980.

Principal repayment requirements over the next five years amount to $185,000 in 1987, $199,000 in 1988, $214,000 in 1989, $230,000 in 1990, and $248,000 in 1991.

## 7. Operating Revenue, Net

The Corporation entered into new Terminal Services contracts during 1986 for terminals operated by the Corporation. Under the old contracts all revenues generated on these terminals were recorded by the Corporation as operating revenue with payments for the services of the service contractors recorded as operating expense. Under the new contracts revenues now accruing directly to the service contractors are not shown as revenue or expense in the Corporation's financial statements.

## 8. Commitments

At December 31, 1986 the estimated cost of completing all approved capital projects was $20 million of which the Corporation had contractual obligations at that date for $1.1 million.

The Corporation has long-term lease obligations of varying durations to 1991 for office accommodation aggregating $3,152,000 with annual payments in each of the five years of: 1987, $756,000; 1988, $741,000; 1989, $662,000; 1990, $662,000; and 1991, $331,000.

## 9. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown Corporations.

In addition to the loans from Canada disclosed in note 6, the Corporation paid $1,599,000 (1985, $1,974,000) to Canada Ports Corporation as its share of that corporation's operating expenses and paid to the Government of Canada $23,331,000 representing the Corporation's share of the contributions requested of Ports Canada by the Government of Canada under the cash recovery program. The Corporation has been requested to consider declaring a dividend of 30% of 1986 net income, payable to the Government of Canada by March 31, 1987.

## Board of Directors

**Captain Hector D. Perry** •
Chairman
Ganges, B.C.

**Jane E. Frost** * * /•
Vice-Chairman
Vancouver, B.C.

**Norman G. Cunningham** * /•
Chairman and Chief Executive Officer
British Columbia Maritime Employer's Association
Vancouver, B.C.

**Laurie G. Maranda** * *
Vice-President
Choukalos, Woodburn, McKenzie, Maranda Ltd., Consulting Engineers
Vancouver, B.C.

**Jack Munro** •
President
International Woodworkers Union Council No. 1
Vancouver, B.C.

**Richard I. Nelson** * *
Vancouver, B.C.

**Rodney A. Snow** *
Barrister and Solicitor
Vancouver, B.C.

* Member, Audit Committee
** Member, Planning and Budgeting Committee
• Member, Executive Committee

## Officers of the Corporation

**Captain Hector D. Perry**
Chairman

**Francis J. MacNaughton**
Port Manager and Chief Executive Officer

**Captain Norman C. Stark**
Assistant Port Manager

**Philip L. Clark**
General Counsel and Corporate Secretary

**Donald G. Buggie**
Director, Finance

## Mailing Addresses

### LOCAL PORT CORPORATIONS

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Que.
H3C 3R5
Tel: (514) 283-7042

Prince Rupert Port Corporation
110-3rd Avenue W.
Prince Rupert, B.C.
V8J 1K8
Tel: (604) 627-7545

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Que.
G1K 7P7
Tel: (418) 648-3558

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Stn. A
Saint John, N.B.
E2L 2B5
Tel: (506) 648-4869

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's, Nfld.
A1C 5X8
Tel: (709) 772-4582

Vancouver Port Corporation
1900-200 Granville Square
Vancouver, B.C.
V6C 2P9
Tel: (604) 666-8978

### CANADA PORTS CORPORATION

Port of Belledune
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6778

Port of Chicoutimi
Lafontaine Street
P.O. Box 760
Chicoutimi, Que.
G7H 5E1
Tel: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Man.
R0B 0E0
Tel: (204) 675-8824

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6778

Port of Prescott
River Road East
P.O. Box 520
Prescott, Ont.
K0E 1T0
Tel: (613) 925-4228

Port of Sept-Îles
421 Arnaud Street
P.O. Box 280
Sept-Îles, Que.
G4R 4K5
Tel: (418) 968-1231

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières, Que.
G9A 5K2
Tel: (819) 378-4939

National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6778

## Corporate Directory

### Board of Directors

**The Honourable A.R. Huntington**
Chairman
Ottawa, Ont.

**William Marsh**
Vice-Chairman
River Ryan
Cape Breton, N.S.

**Denis de Belleval**
President and Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

**Dr. John Balkwill**
Kanata, Ont.

**Raymond V. Beck**
Chairman
Halifax Port Corporation
Halifax, N.S.

**Ronald Corey**
Chairman, Montréal Port Corporation
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

**Brian Keple**
President
Regina Cartage & Storage
Regina, Sask.

**Richard K. Lester**
Manager, Vancouver Office
Parrish & Heimbecker Limited
Vancouver, B.C.

**A. R. MacLean**
Principal
Dalhousie Regional High School
Dalhousie, N.B.

**C. Peter MacLean**
Vice-President
J.W. MacDonald & Company Ltd.
New Glasgow, N.S.

**The Honourable Jean Marchand**
Vice-Chairman
Port of Québec Corporation
Québec, Que.

**John H. Morrish**
President and Chief Executive Officer
Fording Coal Ltd.
Calgary, Alta.

**Captain H.D. Perry**
Chairman
Vancouver Port Corporation
Vancouver, B.C.

**James B. Powers**
President and General Manager
Labrador Construction Company Limited
St John's, Nfld.

**Joseph V. Streeter**
Investment Dealer
Dominion Securities Inc.
Saint John, N.B.

**James L. Thom**
President
Montréal Shipping Inc.
Montréal, Que.

**Robert H. Vandewater**
Vice-President and Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

### Officers of the Corporation

**The Honourable A.R. Huntington**
Chairman

**Denis de Belleval**
President and Chief Executive Officer

**Hassan J. Ansary**
Vice-President, Corporate Services

**Camille A. Guérin**
Vice-President, Financial Services

**T.A. Lauzon**
Vice-President, Port Services

**Ted Ciunyk**
Director General, Police and Security

**Tom Gallagher**
Director and Senior Counsel
Common Law

**Pierre Woods**
Director and Senior Counsel
Civil Law and Real Property

**Roza Aronovitch**
Corporate Secretary

### Executive Committee and Human Resources Committee

| | |
|---|---|
| Chairman: | The Honourable A. R. Huntington |
| Vice-Chairman: | William Marsh |
| Members: | Dr. John Balkwill |
| | Denis de Belleval |
| | Ronald Corey |
| | Brian Keple |
| | James L. Thom |

### Audit Committee

| | |
|---|---|
| Chairman: | A.R. MacLean |
| Members: | Ronald Corey |
| | C. Peter MacLean |
| | James B. Powers |
| | Robert H. Vandewater |

### Planning and Budget Committee

| | |
|---|---|
| Chairman: | James B. Powers |
| Members: | Richard K. Lester |
| | Joseph V. Streeter |
| | James L. Thom |
| | Robert H. Vandewater |

### Police Committee

| | |
|---|---|
| Chairman: | Brian Keple |
| Members: | Raymond V. Beck |
| | Denis de Belleval |
| | D. Cassidy (Member at large) |
| | The Honourable A.R. Huntington |
| | The Honourable Jean Marchand |